2009 | 2010
ANNUAL REPORT

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Board of Directors

Paul Godfrey *Chair*
February 18, 2010 – February 17, 2015

Shirley Hoy
February 18, 2010 – February 17, 2012

Dale Lastman
February 18, 2010 – February 17, 2012

Anthony Melman
February 18, 2010 – February 17, 2012

Thomas O'Brien
February 18, 2010 – February 17, 2012

William Swirsky
February 18, 2010 – February 17, 2012

Michael Gough *Chair*
March 1, 2006 – August 31, 2009
(Appointed Chair June 7, 2006)

Ron Fotheringham
August 25, 2004 – August 31, 2009

Marlene McGraw
February 15, 2006 – August 31, 2009

Debi Rosati
May 16, 2007 – August 31, 2009

Michelle Samson-Doel
July 5, 2004 – August 31, 2009

Jean-Pierre Soublière
May 30, 2007 – April 17, 2009

Beverly Topping
July 5, 2004 – August 31, 2009

Peter Wallace *Chair*
August 31, 2009 – February 18, 2010

Phil Howell
August 31, 2009 – February 18, 2010

Carol Layton
August 31, 2009 – February 18, 2010

Gergely Orencsak
August 31, 2009 – February 18, 2010

Steve Orsini
February 12, 2010 – February 18, 2010

George Ross
August 31, 2009 – February 12, 2010

Executive Management

For the 2010 fiscal year, senior executive members responsible for day-to-day operations were:

Bohodar Rubashewsky
Interim Chief Executive Officer
(effective August 31, 2009)

Kelly McDougald
Chief Executive Officer
(through August 31, 2009)

Nick Bako
Chief Risk Officer

John Black
Chief Financial Officer

Lenna Bradburn
Chief Security and Compliance Officer

Richard Campbell
Senior Vice President, Human Resources

Larry Flynn
Senior Vice President, Gaming

Christopher Ginther
Senior Vice President, Legal, General Counsel and Corporate Secretary

Thomas Marinelli
Senior Vice President, Chief Information Officer

Greg McKenzie
Senior Vice President, Lottery

Rob Moore
Senior Vice President, Marketing, Communications and Stakeholder Relations

Overview

Ontario Lottery and Gaming Corporation (OLG or the Corporation) and its contract management companies employ more than 18,000 people across Ontario. It is responsible for 27 gaming sites as well as the sale of lottery products at about 10,100 retail locations. An Operational Enterprise Agency created by the Government of Ontario, the Corporation is intended to provide gaming entertainment in an efficient and socially responsible way that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from lotteries, casinos and slots at racetracks be made available to the Government of Ontario for various purposes, including the provision of health care and the promotion and development of physical fitness, sport, recreation and cultural activities throughout the province. Revenues are also made available to the Ontario Trillium Foundation by the Government for distribution to charitable and not-for-profit organizations every year. The amount directed to the Foundation in fiscal 2010 totalled $120 million.

Corporate Mission

OLG's corporate mission guides employees in their work with customers and stakeholders. In all we do, we are asked to reflect on our purpose, realize our vision and embody clearly identified values.

PURPOSE

Make life better for people across Ontario - by generating revenue provincially and economic and social benefits locally.

VISION

Be the role model for gaming entertainment worldwide - by creating excitement and possibility for customers and generating economic return, while upholding the public's best interest.

VALUES

Act with integrity — by doing the "right thing," balancing what our customers and business partners ask of us with what the people of Ontario expect of us.

Respect our customers, employees, partners and the people of Ontario — by listening openly and honestly to the diversity of people and ideas around us.

Be accountable — by accepting the responsibility of setting and attaining high standards for ourselves in serving our customers and acting in the public interest.

Striking a Balance — The Strategic Roadmap

Public Trust — Being guardians of the public trust through integrity of operations and promotion of responsible gaming

Player Experience — Providing great, entertaining gaming experiences

Partnerships — Being great partners in the communities in which we operate including helping our partner businesses and communities to thrive

Profit — Returning dividends to support public initiatives

Together, consideration of these four priorities helps the Corporation ensure that its decisions are balanced, reflecting both the need to always put the customer first and the objective of generating revenues that the province can invest in important public initiatives. Staff and management alike are measured on their success in attaining targets set in each one of these priority areas, and achievement of these targets is built into the corporate compensation plan. By delivering on these priorities, OLG can enhance the public's trust in the organization.

As a part of the entertainment industry, the Corporation's long-term success also depends on the quality of the entertainment value it provides to a wide range of adults, while encouraging a culture of moderation and responsible gaming. OLG is a partner in the support and development of Ontario's communities through the dividend it generates for investment in various programs as well as the regional employment opportunities it creates as a result of the organization's presence throughout the province.

Governance

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999*. Classified as an Operational Enterprise Agency, OLG has a single shareholder, the Government of Ontario, and for fiscal 2010, reported through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council and can come from various communities across the Province of Ontario. As of March 31, 2010, the Board of Directors comprises Paul Godfrey of Toronto (Chair), Shirley Hoy of Toronto, Dale Lastman of Toronto, Anthony Melman of Toronto, Thomas O'Brien of Tecumseh, and William Swirsky of Toronto.

Board Mandate

The Board of Directors establishes policies for the Corporation and counsels the Chief Executive Officer and senior executives, who oversee the Corporation's business operations. The Board's mandate is to direct management's focus to optimizing the Corporation's overall performance and to increasing shareholder value by executing its various responsibilities:

- to establish a well-defined strategic planning process, setting strategic direction
- to approve the annual business plan as well as operating and capital budgets
- to define and assess business risks
- to review the adequacy and effectiveness of internal controls in managing risks
- to appraise the performance of the Chief Executive Officer
- to oversee a code of conduct to ensure the highest standards in dealing with customers, suppliers and staff, with due regard to ethical values and the interests of the community at large in all corporate endeavours
- to track the overall performance of the Corporation
- to remain informed and provide input as required concerning communications with the Government of Ontario and other stakeholders
- to ensure compliance with key policies, laws and regulations.

Board Committees

The OLG Board of Directors operates through three permanent working committees. As of March 31, 2010, each working committee is a committee of the whole.

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating Committee assists the Board in ensuring the Corporation's adherence to the highest standards in corporate governance. This committee helps the Board to identify areas for review and presents recommendations on corporate governance policies and practices. It also identifies the skills and attributes required by Board members and nominates persons for appointment to the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE

The primary function of the Audit and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, internal controls over operations and financial reporting, capital expenditure program and risk management program as well as legal and ethical compliance systems.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

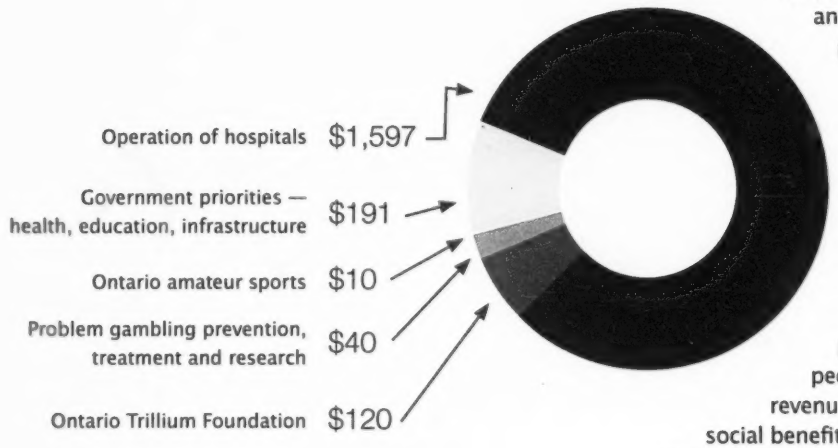
The Human Resources and Compensation Committee assists in ensuring that the Corporation has sufficient knowledge, industry experience and organizational strength at the senior management level to achieve its short- and long-term goals. This committee also recommends, for Board approval, the compensation and benefit plans for senior management.

REMUNERATION

The total remuneration paid to board members in fiscal 2010 was $55,548.

Economic Impact

Allocation of OLG Revenues ($ millions)
$1,958 million — 2009–2010


Operation of hospitals $1,597
Government priorities — health, education, infrastructure $191
Ontario amateur sports $10
Problem gambling prevention, treatment and research $40
Ontario Trillium Foundation $120

Since 1975, OLG has generated more than $32 billion for the benefit of the Province of Ontario, all of which is invested by the government to support hospitals, amateur sport, recreational and cultural activities, communities, provincial priority programs such as health care and education, and local and provincial charities and not-for-profit organizations through the Ontario Trillium Foundation.

The positive economic impact of OLG goes beyond the annual dividend to government. OLG's purpose is to "make life better for people across Ontario - by generating revenue provincially and economic and social benefits locally." In fact, in fiscal 2010, OLG operations generated $3.6 billion in total economic activity in Ontario.

CONTRIBUTION TO THE PROVINCE $2.0 BILLION

- **$120 million -** Gaming proceeds distributed through the Ontario Trillium Foundation to local and provincial charities
- **$10 million -** Support for amateur athletes through the Quest for Gold program
- **$40 million -** Education, research, prevention and treatment of problem gambling*
- **$1.8 billion -** Hospitals, health-related programs and other provincial priorities

CORPORATE RESPONSIBILITY $18 MILLION

- **$10 million -** Education, research, prevention and treatment of problem gambling
- **$2 million -** Sponsorship of community and local music events
- **$6 million -** Proceeds from Electronic Bingo to participating local charities

SUPPORT FOR LOCAL ECONOMIES $1.6 BILLION

- **$46 million -** Goods and services purchased from local Ontario businesses**
- **$937 million -** Payroll for more than 18,000 employees***
- **$111 million -** Payments to municipalities that host OLG gaming facilities
- **$334 million -** Payments to Ontario's horse racing industry
- **$196 million -** Commissions paid to lottery retailers

** Two per cent of revenue from slot machines at OLG casinos and slots facilities is allocated to the province's problem gambling program for research, treatment and prevention. In addition to this amount, OLG contributed $9.8 million.*
*** Excludes Resort Casinos.*
**** Includes Resort Casinos.*

Municipal and Industry Payments

Host municipalities for OLG Casinos and Slots at Racetracks receive five per cent of slot machine revenues from the first 450 machines, and two per cent from each additional machine. Racetracks and horse people receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the siteholder agreement with the corresponding racetrack operator.

2009 – 2010 Municipal and Horse Industry Revenue Payments

OLG CASINO	MUNICIPALITY	MUNICIPAL REVENUE SHARE
Brantford	Brantford	$ 3,374,000
Point Edward	Point Edward	1,649,000
Sault Ste. Marie	Sault Ste. Marie	1,463,000
Thousand Islands	Gananoque, Leeds and Thousand Islands	3,326,000
Thunder Bay	Thunder Bay	2,366,000

SLOT FACILITY	MUNICIPALITY	MUNICIPAL REVENUE SHARE	HORSE INDUSTRY REVENUE SHARE
Ajax Downs	Ajax	$ 5,304,000	$ 18,508,000
Clinton Raceway	Central Huron	605,000	2,422,000
Dresden Raceway	Chatham-Kent	661,000	2,643,000
Flamboro Downs	Hamilton	4,456,000	24,200,000
Fort Erie Race Track	Fort Erie	1,222,000	8,301,000
Georgian Downs	Innisfil	4,705,000	22,518,000
Grand River Raceway	Centre Wellington	2,152,000	8,610,000
Hanover Raceway	Hanover	1,090,000	4,359,000
Hiawatha Horse Park	Sarnia	1,560,000	6,248,000
Kawartha Downs	Cavan Monaghan	3,413,000	13,651,000
Mohawk Racetrack	Milton	5,487,000	30,785,000
Rideau Carleton Raceway	Ottawa	4,444,000	28,854,000
Sudbury Downs	Sudbury	2,435,000	9,742,000
Western Fair Raceway	London	3,846,000	20,241,000
Windsor Raceway	Windsor	1,608,000	8,464,000
Woodbine Racetrack	Toronto	15,907,000	119,558,000
Woodstock Raceway	Woodstock	1,185,000	4,739,000

Management's Responsibility for Annual Reporting

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where required, management has made informed judgements and estimates in accordance with Canadian generally accepted accounting principles.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit and Risk Management Committee, which is composed entirely of directors who are neither officers nor employees of the Corporation. The Audit and Risk Management Committee reviews the financial statements and recommends them to the Board for approval. This Committee meets periodically with management, internal audit and the external auditors.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their applications on an ongoing basis. The reports prepared by the internal auditors are reviewed by the Committee. The Chief Risk Officer, responsible for Internal Audit and Enterprise Risk Management, reports directly to the Audit and Risk Management Committee.

KPMG LLP, the independent auditor appointed by the Board of Directors upon the recommendation of the Audit and Risk Management Committee, has examined the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements. The independent auditor has full and unrestricted access to the Committee.

Bohodar Rubashewsky
Interim Chief Executive Officer
June 23, 2010

Lisa Bell-Murray
Vice President Controller
June 23, 2010

Auditors' Report

To the Board of Directors of the Ontario Lottery and Gaming Corporation and to the Minister of Finance

We have audited the consolidated balance sheets of the Ontario Lottery and Gaming Corporation as of March 31, 2010 and 2009 and the consolidated statements of income and other comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada June 15, 2010

Consolidated Balance Sheet

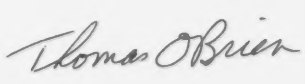
As at March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

ASSETS	2010	2009 (Restated note 1(s)(i))
Current assets		
Cash and cash equivalents	$ 324,640	$ 323,952
Accounts receivable	78,239	60,384
Prepaid expenses	32,478	36,834
Inventories (Note 2)	29,695	21,723
Current portion of loans receivable (Note 4)	6,121	7,209
	$ 471,173	$ 450,102
Restricted cash (Note 3)	199,103	192,887
Loans receivable (Note 4)	25,858	29,248
Property, plant and equipment (Note 5)	2,492,286	2,495,836
Goodwill	1,776	1,776
Cash and short-term investments held for First Nations (Note 6)	191,696	176,249
	$ 3,381,892	$ 3,346,098
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 321,817	$ 342,200
Due to operators (Note 7)	37,544	44,464
Due to Chippewas of Mnjikaning (Note 7)	1,577	1,675
Due to Government of Canada (Note 17)	7,421	5,376
Deferred revenues	15,807	17,555
Current portion of long-term debt (Note 8)	49,313	86,765
	$ 433,479	$ 498,035
Due to First Nations (Note 6)	191,696	176,249
Long-term debt (Note 8)	186,077	169,607
Accrued future benefit costs (Note 15)	18,694	15,709
Asset retirement obligation	1,535	1,499
EQUITY		
Retained earnings	$ 2,358,441	$ 2,292,765
Contributed surplus	62,345	62,345
Reserves (Note 3)	129,625	129,889
	$ 2,550,411	$ 2,484,999
	$ 3,381,892	$ 3,346,098

Commitments (Notes 3, 4, 7 and 11)
Contingencies (Notes 7 and 12)
See accompanying notes to consolidated financial statements.

On behalf of the Board

Paul Godfrey
Chair



Thomas O'Brien
Director

Consolidated Statement of Income and Other Comprehensive Income

Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

REVENUES	2010	2009 (Restated note 1(s)(i))
Lotteries and bingo	$ 2,890,258	$ 2,947,616
Resort casinos	1,353,214	1,408,813
Casinos and slots at racetracks	2,035,547	2,070,559
	$ 6,279,019	$ 6,426,988
OPERATING EXPENSES		
Lotteries and bingo	$ 2,093,341	$ 2,192,526
Resort casinos	1,428,093	1,506,714
Casinos and slots at racetracks	1,100,221	1,103,139
	$ 4,621,655	$ 4,802,379
Income before the undernoted	$ 1,657,364	$ 1,624,609
Interest and other income	$ 58,612	$ 37,795
Interest on long-term debt	(7,218)	(9,316)
Foreign exchange gain	9,986	17,762
Net income and other comprehensive income	$ 1,718,744	$ 1,670,850

Segmented information (Note 13)
See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

	2010	2009 (Restated note 1(s)(i))
Retained earnings, beginning of year	$ 2,292,765	$ 2,251,737
Adjustment on adoption of new accounting standard for goodwill and intangible assets (Note 1(s)(i))	–	(4,848)
As restated	$ 2,292,765	$ 2,246,889
Net income	1,718,744	1,670,850
Transfers from reserves, net	264	39,070
Distribution to First Nations on behalf of the Province of Ontario	(67,184)	(67,805)
Payments to the Province of Ontario	(1,586,148)	(1,596,239)
Retained earnings, end of year	$ 2,358,441	$ 2,292,765

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009
(in thousands of dollars)

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	2010	2009 (Restated note 1(s)(i))
Net income	$ 1,718,744	$ 1,670,850
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of property, plant and equipment and asset retirement obligation	234,339	259,245
Accretion expense	36	147
Loss on disposal of property, plant and equipment	8,622	5,240
Impairment of long-lived assets	3,997	–
Accrued future benefit costs	2,986	(10,363)
Change in non-cash working capital:		
Accounts receivable	(17,856)	18,515
Prepaid expenses	4,356	(6,356)
Inventories	(7,972)	1,457
Accounts payable and accrued liabilities	(32,282)	(24,471)
Due to operators	(6,920)	2,127
Due to Chippewas of Mnjikaning	(98)	(282)
Due to Government of Canada	2,044	(3,158)
Deferred revenues	(1,748)	1,424
Due to First Nations	(340)	(4,466)
Net cash from operating activities	$ 1,907,908	$ 1,909,909
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Increase in long-term debt	$ 18,524	$ 144,068
Repayments of long-term debt	(87,055)	(184,858)
Payment of capital lease obligations	(92)	–
Payments to Province of Ontario	(1,586,148)	(1,596,239)
Distributions to First Nations	(66,844)	(63,339)
Net cash used in financing activities	$ (1,721,615)	$ (1,700,368)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Issuance of loans receivable	$ (2,238)	$ (190)
Repayment of loans receivable	6,717	9,229
Capital expenditures	(187,328)	(248,588)
Proceeds on disposal of property, plant and equipment	3,460	2,204
Increase in restricted cash	(6,216)	(9,396)
Net cash used in investing activities	$ (185,605)	$ (246,741)
Increase (decrease) in cash and cash equivalents	$ 688	$ (37,200)
Cash and cash equivalents, beginning of year	323,952	361,152
Cash and cash equivalents, end of year	$ 324,640	$ 323,952
Cash and cash equivalents are comprised of:		
Cash	$ 323,240	$ 314,642
Cash equivalents	1,400	9,310
	$ 324,640	$ 323,952
Supplemental cash flow information:		
Cash interest received	$ 3,042	$ 9,423
Cash paid for interest	6,808	5,951
Supplemental disclosure relating to non-cash financing and investing activities:		
Acquisition of Casino Niagara building through capital lease	$ 47,640	$ –

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2010, with comparative figures for 2009
(tabular amounts in thousands of dollars)

The Ontario Lottery and Gaming Corporation (Corporation) was established without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999.* The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, five casinos and the Great Blue Heron Slot Machine Facility, seventeen slot operations at racetracks and four resort casinos (including Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview)) in the Province of Ontario.

The Corporation has entered into operating agreements with Windsor Casino Limited, CHC Casinos Canada Limited, Falls Management Group, L.P. and Great Blue Heron Gaming Company for the operation of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (Fallsview) and the Great Blue Heron Slot Machine Facility, respectively.

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary.

In addition, the consolidated financial statements include the financial position and results of operations of Caesars Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort (together referred to as the Resort Casinos), and of the Great Blue Heron Slot Machine Facility.

The assets, liabilities and operations of the Great Blue Heron Slot Machine Facility are included in these consolidated financial statements. The operating results are included with the results of the casinos and slots at racetracks. These consolidated financial statements do not include other operations carried out at the Great Blue Heron Charity Casino.

b. Revenue recognition

Lottery and bingo games are sold to the public by contracted lottery retailers and bingo service providers. Revenue from tickets sold to consumers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs. Revenue from INSTANT games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets. Revenue from sports wagering games and bingo gaming is recognized when the ticket, paper, or electronic game is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations represents the difference between amounts earned through gaming wagers less the payouts from those wagers, with liabilities recognized for funds deposited by patrons before gaming play occurs, for chips, and 'ticket-in, ticket-out' coupons in the patrons' possession, and for accruals related to the anticipated payout of progressive jackpots. Significant base jackpots for progressive slot machines are charged to revenue over the estimated jackpot life cycle. Progressive slot machines, which contain base jackpots that increase at a progressive rate based on the number of coins or credits played, are charged to revenue as the amounts of the jackpots increase.

Discretionary and non-discretionary incentive programs are recorded in accordance with the Canadian Institute of Chartered Accountants (CICA) Emerging Issues Committee Abstract 156, 'Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)' (EIC-156). EIC-156 requires that sales incentives and points earned in loyalty programs be recorded as a reduction of revenue. The Corporation recognizes incentives related to gaming play and points earned in loyalty programs

as a promotional allowance, as described in Note 1(c), as the points are granted. Promotional allowance is recorded as a reduction to revenue in accordance with EIC-156. Discretionary incentive programs, such as non-cashable free play, are offered based on past levels of play or to incent future play. Discretionary, non-cashable free play is not recorded as revenue. Non-discretionary incentive programs, such as point-based loyalty programs, are offered based on past levels of play.

Non-gaming revenue includes revenue from accommodations, food and beverage, entertainment centre and other services and is recognized at the time the services are rendered to patrons. Non-gaming revenue also includes the retail value of accommodations, food and beverage and other goods and services provided to patrons on a complimentary basis.

c. Promotional allowances

Promotional allowances include the retail value of accommodations, food and beverage and other goods and services provided to patrons on a complimentary basis, as well as the cost of points for the loyalty programs.

Loyalty programs

The patrons' loyalty programs at the Resort Casinos and casinos and slots at racetracks allow patrons to earn points based on the volume of play. These points are accrued as a liability based on estimated redemption and are redeemable for complimentary goods and services and/or cash rebates. The patron's point balance will be forfeited if the patron does not earn additional points over the prior 6 to 12-month period. Promotional allowances include the estimated redemption value of the points as they are earned.

Coupons and other incentives

Promotional allowances also include the retail value of coupons (accommodations, food and beverage and other goods and services) and other incentives provided to the patrons when these coupons are redeemed. The retail value of these coupons is also included in non-gaming revenue.

The estimated costs of providing these promotional allowances have been included as expenses in the consolidated statement of income and other comprehensive income.

d. Lottery prizes

Prize expense for lottery and bingo games is recognized based on the predetermined prize structure for each game in the period revenue is recognized as described below:

- Prize expense for tickets sold to consumers for lottery games, for which results are determined based on a draw, is recognized when the related draw occurs.
- Prize expense for INSTANT games is recognized when retailers make them available for sale to the public, as indicated by the retailer's activation of tickets.
- Prize expense for sports wagering games is recognized when the last wagered event occurs.
- Prize expense for bingo gaming is recognized when the bingo paper or electronic game is sold to the consumer.
- Prize expense for annuity-based top prizes is based on the cost of the annuity purchased by the Corporation from a third party. An estimate for lottery prizes that will not be claimed is recognized as unclaimed prizes in the period revenue is recognized.

Prize expense is adjusted on a monthly basis to reflect amounts actually won and/or unclaimed.

Unclaimed prizes on national games are returned to the patrons through guaranteed jackpots and bonus draws. Unclaimed prizes on regional games are returned to the Province of Ontario through distributions to the Province. National games are administered by the Interprovincial Lottery Corporation and sold throughout Canada, while regional games are administered by the Corporation and sold only in Ontario.

e. Commissions and bonuses

Lottery retailers receive a commission of eight per cent on all INSTANT tickets and a commission of five per cent on all online tickets sold. Where a commission has been paid to retailers for ticket sales relating to future draws, this fee is recorded as a prepaid expense until the related revenue is recognized. Lottery retailers also receive a three per cent commission on INSTANT ticket redemptions and a commission of two per cent on online ticket redemptions. A $1,000 bonus is paid to any retailer who sells a major prize winning online ticket, excluding sports and daily games. Commission amounts that are paid to a

retailer for selling a major prize are recorded as an expense when the ticket is redeemed.

Bingo service providers receive a commission based on either a percentage of total gaming revenue, plus or minus incentive adjustments for achieving sales, prize payout, and cost of goods sold targets or a percentage of total gaming revenue less total prize payout. Municipalities who host the Corporation's bingo halls receive a commission based on either a percentage of total revenue or a percentage of total revenue less total prize payout.

Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the site holder agreement with the corresponding racetrack operator. Municipalities who host an OLG Casino or Slots at Racetrack facility receive five per cent of revenue from slots up to 450 machines and two per cent of revenue from slot machines over 450. As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas of Scugog Island First Nation receive five per cent of the revenue from the slot machines.

f. Cash and cash equivalents

Cash equivalents are defined as liquid investments that have a term to maturity at the time of purchase of less than 90 days. As at March 31, 2010, cash and cash equivalents include bank term deposits amounting to $1,400,000 (2009 - $9,310,000) at an interest rate of 0.1 per cent (2009 - 0.35 per cent).

g. Retailer and bingo service provider accounts receivable

Retailer accounts receivable represents lottery proceeds due from lottery retailers for lottery ticket sales net of commissions and prizes paid by the retailers. Also included are bingo proceeds due from bingo service providers for bingo sales net of commissions and prizes paid. An allowance for bad debts of $1,512,000 (2009 - $2,720,000) has been recorded on this receivable balance. As at March 31, 2010, the net book value of retailer and bingo service provider accounts receivable was $36,407,000 (2009 - $29,378,000).

h. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost or first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

i. Property, plant and equipment

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	10 to 50 years
Furniture and fixtures	2 to 10 years
Leasehold improvements	Over term of lease
Lottery gaming assets	3 to 10 years
Casino and racetrack slot operations gaming assets	2 to 10 years
Energy centre assets	15 to 40 years
Assets under capital lease	Over term of lease

Property, plant and equipment are amortized when available for use.

Construction in progress and assets not in use are stated at cost. Costs will be amortized commencing upon substantial completion of the related project.

Interest charges incurred during the construction and development of property, plant and equipment are capitalized and amortized over the estimated useful life of the associated property, plant and equipment.

j. Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The impairment analysis is performed using a two-step process. Step I of the impairment test assesses if the carrying value of the long-lived assets exceeds their estimated undiscounted future cash flows in order to assess if the assets are impaired. In the event the estimated undiscounted future cash flows are lower than the carrying value of the assets, a Step II impairment test must be carried out to determine the impairment charge. In Step II, long-lived assets are written down

to their estimated fair values. Given there is no readily available quoted value for the Corporation's long-lived assets, the Corporation determines fair value of its long-lived assets using the estimated discounted future cash flow expected from their use and eventual disposition. The discounted future cash flows in Step II are based on the undiscounted cash flows in Step I. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

As at March 31, 2010 and March 31, 2009, no impairments in the carrying value of these assets existed, except as disclosed in Note 5.

k. Leases

Leases that transfer substantially all the benefits, risks and rewards of ownership to the Corporation are recorded as capital leases and classified as property, plant and equipment with a corresponding increase to obligations under capital leases. Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property and the present value of those lease payments. Amortization will be recorded upon commencement of commercial operations. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred.

l. Deferred revenues

Funds collected from retailers for lottery games for which results are determined based on a draw, sold in advance of the game draw, are recorded as deferred revenue and recognized as revenue once the related draw occurs.

m. Asset retirement obligations

The Corporation records the fair value of an asset retirement obligation as a liability in the year in which it is incurred and can be reasonably estimated. This liability is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation also records a corresponding asset that is amortized over the life of the asset. The Corporation has recognized a discounted liability associated with obligations arising from provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. The adjustment to leasehold improvements in respect of asset retirement costs is amortized into income on a straight-line basis over the remaining life of the leases.

Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The resultant changes to the obligation that result from the passage of time are expensed in the period as accretion expense and any changes resulting from changes in the estimated future cash flows are capitalized to the cost of the leasehold improvements.

For the year ended March 31, 2010, the Corporation recorded amortization expense of $48,000 (2009 - $105,000) in the consolidated statement of income and other comprehensive income. The Corporation recorded a liability of $1,535,000 (2009 - $1,499,000) for the estimated present value of the costs of retiring leasehold improvements at the maturity of the leases and recorded deferred asset retirement costs of $291,000 (2009 - $406,000).

The gross amount of the obligation is $1,610,000 (2009 - $1,446,000), which is expected to be paid out in one to fifteen years. The credit adjusted risk-free rate is 2.4 per cent (2009 - 4.5 per cent). The accretion expense for the year was $36,000 (2009 - $147,000).

n. Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair values. When the Corporation enters into a business combination,

the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but instead is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Absent any triggering factors during the year, the Corporation conducts its goodwill impairment test in the fourth quarter of the year. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill determined in a business combination, is compared with its carrying amount to measure the amount of the impairment loss, if any. As at March 31, 2010 and March 31, 2009, no impairment in the carrying value of this asset existed.

o. Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Consolidated statement of income and other comprehensive income items are translated at the rate of exchange in effect at the transaction date. Translation gains and losses are included in the consolidated statement of income and other comprehensive income in the period in which they arise.

p. Use of estimates

The preparation of consolidated financial statements requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Significant estimates are used in determining, but are not limited to, the valuation of markers receivable, valuation of loans receivable, the useful lives of all depreciable assets, the recoverability of property, plant and equipment, goodwill, unclaimed prize liabilities, employee future benefit obligations, asset retirement obligations, the patrons' loyalty program provision, the amount due to Government of Canada and the outstanding chip, ticket and token liability. Actual results could differ from those estimates.

q. Financial instruments

All financial instruments have been classified into one of the following categories: available-for-sale, held-to-maturity, held-for-trading, loans and receivables or other financial liabilities. All financial instruments, including derivatives, are recorded on the consolidated balance sheet and are measured at fair value with the exception of held-to-maturity loans and receivables, and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend upon their initial classification.

The Corporation classified all cash and cash equivalents, accounts receivables, restricted cash, cash and short-term investments held for First Nations as held-for-trading assets, which are measured at fair value and the changes in fair value are recognized in net income. Loans receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, due to operators, due to Chippewas of Mnjikaning, due to Government of Canada, due to First Nations and long-term debt are classified as other financial liabilities and are measured at amortized cost. The Corporation did not have available-for-sale or held-to-maturity assets or liabilities during the years ended March 31, 2010 and March 31, 2009.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in the consolidated statement of income and other comprehensive income unless they are effective cash flow hedging instruments. The changes in fair value of cash flow hedging derivatives are recorded in other comprehensive income, to the extent effective, until the hedged asset or liability is recognized in the consolidated

statement of income and other comprehensive income. Any hedge ineffectiveness is recognized in net income immediately.

The Corporation records all transaction costs and loan fees for financial assets and liabilities as a component of the related asset or liability and amortizes the costs using the effective interest rate method to interest expense over the life of the related asset or liability.

The Corporation uses derivative financial instruments to manage risks from market price fluctuations for energy. These instruments include forward pricing agreements. The Corporation does not enter into financial instruments for trading or speculative purposes. Changes in the fair value of derivatives are recorded in the consolidated statement of income and other comprehensive income.

The Corporation discloses the significance of financial instruments on its financial position and performance, the nature and extent of risks arising from financial instruments to which the Corporation is exposed to during the year and at the consolidated balance sheet date, and how the Corporation manages those risks, as disclosed in Note 9.

r. Capital disclosures

The Corporation discloses information that enables users of its consolidated financial statement to evaluate the Corporation's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for such non-compliance, as disclosed in Note 10.

s. Adoption of new accounting standards

i. Goodwill and intangible assets

Effective April 1, 2009, the Corporation adopted CICA Handbook Section 3064, Goodwill and Intangible Assets (CICA 3064). CICA 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs, establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The new standard was applied retrospectively, with a restatement of prior periods. The adoption of CICA 3064 resulted in a $6,845,000 decrease in deferred pre-opening costs, which consist of compensation, consulting, and other direct costs incurred in connection with the development and opening of gaming sites, of which $4,848,000 was recorded as a decrease in retained earnings at April 1, 2008. A total of $1,997,000 in costs incurred in fiscal 2009 that was previously deferred was expensed. These changes reflect the reversal of the amortization of pre-opening and deferred expenditures previously recorded in those years, and the expensing of pre-opening and deferred expenditures previously capitalized. Furthermore, the adoption of CICA 3064 has also resulted in a reclassification of $12,893,000 from assets contributed to Chippewas of Mnjikaning to property, plant and equipment at April 1, 2009. The Corporation had determined that these assets can be capitalized under CICA Handbook Section 3061, Property, Plant and Equipment (CICA 3061); however the Corporation made an accounting policy choice to capitalize the assets under EIC-27, Revenue and Expenditures during the Pre-Operating Period (EIC-27), and CICA Handbook Section 3070, Deferred Charges (CICA 3070) instead. CICA 3070 has been withdrawn and, with the adoption of CICA 3064, the Corporation determined that a change in accounting policy was appropriate and that the assets should be reclassified to property, plant and equipment and be accounted for in accordance with CICA 3061. There was no impact of this change in accounting policy on current or previous reported amortization expense as the assets will continue to be amortized over the period of the Casino Rama ground lease.

ii. Financial instruments

Effective April 1, 2009, the Corporation adopted CICA Handbook Section 3862, Financial Instruments - Disclosures (CICA 3862), that includes additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and financial liabilities in Level 2 include valuations using inputs based on observable market data, either directly or indirectly other than quoted prices. Level 3 valuations are based on inputs that are not based on observable market data. The additional disclosures are included in Note 9.

On April 1, 2008, the Corporation adopted CICA Handbook Section 3862 and Section 3863, Financial Instruments - Presentation (CICA 3863). CICA 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the balance sheet date, and how the entity manages those risks.

CICA 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, gains and losses, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classification and measurement of the Corporation's financial instruments or liquidity risk disclosures. The disclosures pursuant to this amended Handbook Section are included in Note 9.

In 2009, the Canadian Accounting Standards Board (AcSB) amended Sections 3855 - Financial Instruments - Recognition and Measurement, and 3862 - Financial Instruments - Disclosures. These amendments enhance existing disclosure requirements and provide additional guidance in the assessment and accounting treatment of certain financial instruments and in calculating the effective interest rate. The additional disclosures are included in Note 9.

t. Recent Canadian accounting pronouncements

i. Business combinations

In October of 2008, the CICA issued Handbook Section 1582, Business Combinations (CICA 1582), concurrently with Handbook Section 1601, Consolidated Financial Statements (CICA 1601), and Handbook Section 1602, Non-controlling Interests (CICA 1602). CICA 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Corporation's consolidated financial statements commencing on April 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Corporation will assess the impact of the new standards on its consolidated financial statements if and when it completes a business combination.

ii. Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements (EIC-175). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Corporation's consolidated financial statements commencing on April 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Corporation will assess the impact of the new standard on its financial statements.

iii. International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Boards (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian publicly accountable companies. The AcSB strategic plan outlines the

convergence of Canadian GAAP with IFRS over an expected five-year transitional period.

The Canadian Accounting Standards Board has determined that government business enterprises will be required to adopt IFRS. IFRS will replace current Canadian GAAP for those enterprises. In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for government business enterprises for fiscal periods beginning on or after January 1, 2011. The Corporation's first annual IFRS financial statements will be for the year ending March 31, 2012 and will include the comparative period of 2011.

The transition to IFRS represents a significant initiative (IFRS Transition Project) for the Corporation that is supported by a formal governance structure. The Corporation's IFRS Transition Project continues to progress in accordance with management's transition plan. Pursuant to management's plans a preliminary assessment of the accounting and financial reporting differences under IFRS compared to Canadian GAAP has been completed. However, management has not yet finalized the determination of the impact of these differences on the consolidated financial statements. As management finalizes its assessment, the Corporation intends to disclose such impacts in its future consolidated financial statements.

2. INVENTORIES

	2010	2009
Slot machine and table game parts	**$ 6,821**	$ 9,772
Lottery tickets and paper	**16,870**	7,912
Security and surveillance parts	**1,487**	1,488
Food and beverage	**3,274**	3,177
Retail	**609**	704
Other	**2,797**	3,229
	$ 31,858	$ 26,282
Less allowance	**(2,163)**	(4,559)
	$ 29,695	$ 21,723

Inventory costs, included in operating expenses, for the year ended March 31, 2010 were $102,489,000 (2009 - $108,032,000). During the year ended March 31, 2010, the Corporation recorded inventory write-downs in operating expenses of $119,000 (2009 - $1,228,000).

3. RESTRICTED CASH AND RESERVES

Included in restricted cash are the below-noted amounts, which are held in separate accounts.

	2010	2009
Reserves		
Capital renewals	**$ 29,728**	$ 31,449
Operating	**58,466**	59,106
Severance	**41,431**	39,334
	$ 129,625	$ 129,889
Less unrestricted capital renewals and operating	**(5,013)**	(6,765)
Funded reserves balance	**$ 124,612**	$ 123,124
Prize funds on deposit	**49,391**	45,913
Term loan proceeds	**25,100**	23,850
	$ 199,103	$ 192,887

The Corporation has established reserves at the resort casinos in accordance with their respective operating agreements, or other terms as otherwise agreed to, for the following purposes:

i. **Capital renewals reserves** — For property, plant and equipment additions other than normal repairs, and to satisfy specified obligations in the event that cash flows will be insufficient to meet such obligations;

ii. **Operating reserves** — To satisfy specified obligations in the event that cash flows will be insufficient to meet such obligations; and

iii. **Severance reserve** — To satisfy certain obligations of the Corporation arising from the termination or layoff of employees of an operator in connection with the termination of an operator.

In fiscal 2010, the Corporation transferred cash of $53,000,000 (2009 - $35,500,000) to Caesars Windsor for their working capital requirements. The Corporation has committed to transferring additional amounts of up to $81,500,000 to Caesars Windsor in fiscal 2011. The Corporation and the Operator of Caesars Windsor have agreed that both the operating and capital renewals reserves at Caesars Windsor, totalling $5,013,000 (2009 - $6,765,000), although contractually set aside for the above uses, are available to fund current operations, given the continuing negative cash flows at Caesars Windsor.

Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding of $79,274,000 (2009 - $76,081,000) less an estimate for prizes not expected to be claimed by consumers of $29,883,000 (2009 - $30,168,000).

Term loan proceeds represent restricted cash that is to be used for construction purposes at Caesars Windsor and for the renovation and expansion at Ajax Downs.

4. LOANS RECEIVABLE

	2010	2009
Loans receivable	**$ 31,979**	$ 38,307
Less allowance for uncollectible loans	-	(1,850)
	$ 31,979	$ 36,457
Less current portion of loans receivable	**(6,121)**	(7,209)
	$ 25,858	$ 29,248

The Corporation has loaned and is committed to loan funds to certain racetrack site holders for the purposes of renovating or constructing buildings to accommodate the Corporation's slot machine facilities. Security is provided by mortgages and general security agreements covering the racetrack site holders' assets. The loans bear interest based on the Royal Bank of Canada's prime rate and are repayable over periods ranging from one to fifteen years. The amounts will be repaid under an agreed upon formula by withholding from commissions that would otherwise be payable to the racetrack site holders.

During fiscal 2010, additional funds were advanced to a site holder for the development and expansion of its property. During the fiscal year $2,244,000 (2009 - $15,210,000) had been advanced to a site holder and has been included in loans receivable. The Corporation's maximum remaining commitment as at March 31, 2010 is $4,256,000.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value (Restated, note 1(s)(i))
Land	$ 137,824	$ -	**$ 137,824**	$ 137,824
Buildings	1,916,788	299,596	**1,617,192**	1,639,824
Furniture and fixtures	668,490	507,430	**161,060**	186,056
Leasehold improvements	627,283	405,958	**221,325**	242,242
Lottery gaming assets	113,834	87,055	**26,779**	14,607
Casino and racetrack slot operation gaming assets	702,947	479,611	**223,336**	211,816
Assets under capital lease	47,640	25	**47,615**	-
Construction in progress and assets not in use	57,155	-	**57,155**	63,467
	$ 4,271,961	$ 1,779,675	**$ 2,492,286**	$ 2,495,836

Amortization for the year was $234,339,000 (2009 - $259,245,000). During the year, net interest of $836,000 (2009 - $1,054,000) was capitalized.

Impairment of long-lived assets

During 2010, management performed an impairment analysis on the asset groups at Casears Windsor, one of its Slots at Racetrack facilities, and its bingo operations as a result of triggering events described below.

Management performed an impairment analysis on the Caesars Windsor asset group as several triggering events occurred such as: a vote in Ohio that concluded that casino style gaming will be allowed in the state which is expected to negatively impact Caesars Windsor's future revenue; the implementation of passport requirements at the U.S. border which has caused a continued deterioration in Caesars Windsor's revenues; and the announcement of the introduction of Harmonized Sales Tax (HST). The Corporation conducted a Step I impairment test on the recoverability of the Caesars Windsor asset group

at the property by comparing the carrying value of the asset group to the estimated undiscounted future cash flows. The Corporation determined that the expected future cash flows over the economic life of the principal assets, which are the buildings, were greater than the carrying value of the long-lived assets and that no impairment existed.

Management performed an impairment analysis on the asset group at one of its Slots at Racetrack facilities as a result of triggering events, such as the continued deterioration in revenue at the facility which resulted in a significant reduction in future projected cash flows for the facility. The Corporation conducted a Step I impairment test on the recoverability of the asset group at the facility by comparing the carrying value of the asset group to the estimated undiscounted future cash flows. The Corporation determined that the expected future cash flows over the economic life of the principal assets were less than the carrying value of the long-lived assets, indicating that an impairment existed. A Step II test was undertaken to determine the fair value of the long-lived assets in the asset group and the Corporation recorded a non-cash impairment charge of $3,997,000 to reduce the long-lived assets to their estimated fair value. The fair value of the property, plant and equipment was determined using a discounted cash flow methodology. The charge is included in general and administration expenses on the Consolidated Statement of Income and Other Comprehensive Income under Casinos and Slots at Racetracks in Note 13 to the consolidated financial statements.

Management performed an impairment analysis on the bingo operation asset group as a result of triggering events, such as the current period operating and cash flow loss for the bingo operation and the historical operating and cash flow losses. In addition, projections indicate a net cash flow loss for the year ending March 31, 2011. The Corporation conducted a Step I impairment test on the recoverability of the asset group of the operations by comparing the carrying value of the bingo operation asset group to the estimated undiscounted future cash flows. The Corporation determined that the expected future cash flows over the economic life of the principal assets were greater than the carrying value of the long-lived assets and that no impairment existed.

6. CASH AND SHORT-TERM INVESTMENTS HELD FOR FIRST NATIONS

	2010	2009
Segregated bank account, beginning of year	**$ 159,490**	$ 195,755
Distributions to the segregated bank account during the year	**23,397**	21,763
Distributions from the segregated bank account during the year - per Court Order	**(7,952)**	(62,441)
Interest earned during the year	**506**	4,413
Segregated bank account, end of year	**$ 175,441**	$ 159,490
Current distribution due to First Nations	**16,255**	16,759
	$ 191,696	$ 176,249

On June 9, 2000, the Corporation, the First Nations of Ontario and the Province of Ontario entered into the Casino Rama Revenue Agreement (the Agreement) which entitles the Ontario First Nations to the net revenues, as defined, from the operation of Casino Rama. Under the Agreement, the Corporation is required to distribute the net revenues from the operation on a monthly basis.

The Agreement requires that, commencing July 31, 2001, the Corporation retain 35 per cent of the net distributions from Casino Rama in a segregated bank account if the Corporation has not received a joint direction from the Ontario First Nations Limited Partnership (OFNLP) and the Chippewas of Mnjikaning First Nation (Chippewas of Mnjikaning) with respect to a new revenue distribution formula. This matter is currently the subject of an action brought by the Chippewas of Mnjikaning against the Province of Ontario and until the matter is decided by the Courts or, alternatively, the Chippewas of Mnjikaning and the OFNLP reach an agreement on a new revenue distribution formula, the Corporation is required to retain these funds. On June 10, 2008 the Corporation, pursuant to an Order of the Superior Court of Justice of Ontario, released $47,374,000 from the segregated bank account to the OFNLP. During fiscal 2009 and 2010, additional orders were received from the Superior Court of Justice of Ontario which required a total of $23,019,000 to be released from the segregated

bank account to OFNLP. Pursuant to the terms of the Post-2011 Contract, as defined below, the Chippewas of Mnjikaning's entitlement to any share of the revenues under the Agreement shall cease as of August 1, 2011. The balance of funds accrued prior to August 1, 2011 will continue to be retained in a segregated interest-bearing bank account until the matter is decided by the Courts or, alternatively, the Chippewas of Mnjikaning and the OFNLP reach agreement on a new revenue distribution formula.

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation and OFNLP, among others, entered into a Gaming Revenue Sharing and Financial Agreement. The key terms of this new agreement are outlined in Note 7(d) to the consolidated financial statements.

On January 26, 2010, the Corporation and the Chippewas of Mnjikaning announced that they had entered into an agreement dated July 17, 2009 relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the 'Post-2011 Contract'). The key terms of this new agreement are outlined in Note 7 (d) to the consolidated financial statements.

The payment related to the monthly distribution of the net revenue for March 2010 of $16,255,000 is included above as a current distribution due to First Nations.

7. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a. The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These transactions include loan agreements with the Ontario Financing Authority, as described in Note 8 to the consolidated financial statements.

b. Under the terms of the development and operating agreements for each of the resort casinos and the Great Blue Heron Slot Machine Facility, each operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements. The operators of the casinos are as follows: Casino Niagara and Fallsview – Falls Management Group, L.P., the general partner of which is Falls Management Company (owned by Niagara Casino Group, L.P., Highland Gaming, Inc., Shiplake Gaming Corporation, Olympic V, Inc. and 3048505 Nova Scotia Company) and the sole limited partner of which is Falls Entertainment Corporation; Casino Rama – CHC Casinos Canada Limited, an indirectly wholly owned subsidiary of Penn National Gaming, Inc.; the Great Blue Heron Slot Machine Facility – Great Blue Heron Gaming Company, a subsidiary of Casinos Austria; and Caesars Windsor – Windsor Casino Limited (WCL), which is owned equally by Harrah's Entertainment, Inc. and Hilton Hotels Corporation, in each case through wholly owned subsidiaries.

On January 22, 2010, the Corporation entered into a new operating agreement with Great Blue Heron Gaming Company, a subsidiary of Casinos Austria, among others. The agreement commences on the opening of the new casino facility and ends on the earlier of 20 years from the opening and June 28, 2031 and has terms substantially similar to those contained in the current operating agreement.

At each of the resort casinos, the operator is the employer of the employees working at that resort casino. All payroll and payroll-related costs are charged to the Corporation on a monthly basis, and are expensed in the Corporation's consolidated statement of income and other comprehensive income.

c. Under the terms of the development and operating agreement for Casino Rama, the Chippewas of Mnjikaning receive an annual fee, adjusted for inflation, relating to the provision of ongoing operating services. During the year, $5,815,000 (2009 – $5,780,000) was expensed. Other Chippewas of Mnjikaning charges amounting to $8,210,000 (2009 – $7,821,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a five-year lease renewal ending July 2011, for the rental of office

space from a company related to the Chippewas of Mnjikaning, $691,000 (2009 – $683,000) was expensed. Also, under the terms of an eight-year lease ending July 2011, an annual rental, adjusted for inflation, for warehouse space is paid to a company related to the Chippewas of Mnjikaning. During the year, $350,000 was expensed (2009 – $349,000).

On April 30, 2002, an agreement was signed with the Chippewas of Mnjikaning, whereby the Corporation will reimburse the Chippewas of Mnjikaning 75 per cent of the annual operating budget of the fire department, in exchange for fire protection services to the casino complex. This amount is included in other Chippewas of Mnjikaning charges noted above and is defined in the agreement for the period April 1, 2000 to July 31, 2011.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in Right of Canada under a 25-year lease, which expires in March 2021. Annual rent payable under this lease, adjusted for inflation, is paid out of the gross revenues of the Casino Rama complex to the Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. During the year, $4,514,000 (2009 – $4,460,000) was expensed.

The terms of various agreements provide for the designation and leasing of Additional Parking Lands, as defined, by the Chippewas of Mnjikaning to Casino Rama with an annual rent payable of approximately $1,700,000, adjusted for inflation. While the designation and leases are not yet complete, the lands are permitted and currently in use at Casino Rama. During the year, $2,029,000 (2009 – $2,004,000) was expensed.

Under the terms of a Letter of Agreement entered into by the Corporation in January 2007 regarding the management and administration of leasehold improvement projects at Casino Rama, the Chippewas of Mnjikaning contract directly with the contractors selected by the Corporation. During the year, $19,000 (2009 – $3,606,000) was paid to the Chippewas of Mnjikaning under this Letter of Agreement to pay contractors involved in the acquisition of leasehold improvements.

d. Casino Rama is located on reserve lands of the Chippewas of Mnjikaning First Nation under the authority of a 25-year lease (expiring in March 2021) between the Corporation and Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning First Nation.

Under the terms of the Casino Rama Revenue Agreement dated June 9, 2000, Ontario First Nations are entitled to the ongoing net revenues, as defined, of Casino Rama, as well as the proceeds from the disposition of the moveable assets, as defined, and remaining undistributed earnings upon the dissolution or wind up of Casino Rama.

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations (2008) Limited Partnership and OFNLP entered into a Gaming Revenue Sharing and Financial Agreement (the 'GRSFA'). The key terms of the GRSFA, relevant to OLG, are as follows:

i. The Province of Ontario shall pay, or require the Corporation to pay, to the OFNLP, commencing with fiscal year 2012 and in each fiscal year during the remainder thereafter of the 20-year term, an amount equal to 1.7 per cent of the Gross Revenues of the Corporation, as defined. These payments will take the place of the net revenues that the OFNLP would otherwise have been entitled to under the Casino Rama Revenue Agreement; and,

ii. The Chiefs of Ontario and the OFNLP shall, subject to acceptance by the Courts, discontinue the litigation related to the 20 per cent win contribution commenced in Ontario Superior Court of Justice (the '20% Action') and release Her Majesty the Queen in Right of Ontario and the Corporation.

In accordance with the terms of the GRSFA, the Chiefs of Ontario and OFNLP obtained an Order granting them leave to discontinue the 20% Action in its entirety against Her Majesty the Queen in Right of Ontario and against the Corporation. The Chiefs of Ontario and OFNLP delivered and filed a Notice of Discontinuance dated February 25, 2008 discontinuing without costs the 20% Action in its entirety as against Her Majesty the Queen in Right of Ontario and as against the Corporation.

On January 26, 2010, the Corporation and the Chippewas of Mnjikaning announced that they had entered into an agreement dated July 17, 2009 relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the 'Post-2011 Contract'). The key terms of the Post-2011 Contract, relevant to OLG, are as follows:

i. The term of the Post-2011 Contract will commence August 1, 2011 and continue until July 31, 2031, subject to earlier termination or the exercise by the Corporation of two successive options to extend the Post-2011 Contract for successive extension periods of ten years and then five years,

ii. The Chippewas of Mnjikaning shall be entitled to receive an annual fee (the 'Rama Fee') for each successive twelve-month period commencing August 1, 2011 in an amount equal to the greater of 1.9 per cent of the Gross Revenues of the Complex, as defined, and $5,500,000, and

iii. The Corporation agrees to contribute $2,000,000 towards the capital cost of a gaming and executive development training centre.

The Post-2011 Contract shall terminate on March 14, 2021 if the Chippewas of Mnjikaning and the Rama Corporation do not replace the existing surrenders and permits with a new surrender, or establish a land management regime on or before December 31, 2015.

Pursuant to the Post-2011 Contract, the Chippewas of Mnjikaning, the Corporation and the Province, as and where applicable, shall consent to the dismissal without costs of: (i) an action related to the legal and beneficial ownership of all capital assets purchased for use in the development and operation of Casino Rama and reimbursement of all retail sales tax paid or accrued in respect thereof, (ii) certain claims based on an alleged delay in the construction of Casino Rama, and certain claims related to the payment of 20% of Casino Rama revenues in the 20% Action, and (iii) certain claims and crossclaims asserted by the Chippewas of Mnjikaning in the 20% Action, and shall also use best efforts to obtain the consents to such dismissals from the other named parties.

e. Under the terms of the development and operating agreement, the Mississaugas of Scugog Island First Nation receive an amount equal to five per cent of the gross revenue of the Great Blue Heron Slot Machine Facility in consideration for provision of the lands used for the Slot Machine Facility. During the year, $4,188,000 (2009 - $4,556,000) was paid to the Mississaugas of Scugog Island First Nation.

f. Under the terms of the Niagara Falls Permanent Casino Operating Agreement, in a Competitive Environment, as defined, the Operator is entitled to receive additional Operator services fees and an Attractor fee. The Attractor fee is calculated, as defined, to allow for the amortization of the total capital contributions of the Operator to external attractors, to a maximum contribution of $30,000,000. As at March 31, 2010, the Operator's fees, due to the Operator, included an Attractor fee accrual of $5,244,000 (2009 - $5,058,000).

8. LONG-TERM DEBT	**2010**	2009
Niagara Fallsview Casino Resort loan (a)	**$ -**	$ 43,880
Caesars Windsor loan (b)	**169,607**	212,492
Ajax Downs loan (c)	**18,233**	-
Obligation under capital lease (d)	**47,550**	-
	$ 235,390	$ 256,372
Less current portion	**(49,313)**	(86,765)
	$ 186,077	$ 169,607

a. Niagara Fallsview Casino Resort loan

In June 2004, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for the purchase of the Niagara Fallsview Casino Resort from Falls Management Corporation (the developer). The initial loan balance of $794,000,000 plus interest was repayable over five years. The loan bore interest at a rate of 4.4 per cent per annum and was unsecured.

b. Caesars Windsor loan

In November 2008, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of Caesars Windsor and for financing

the construction of the Windsor Clean Energy Centre (the Energy Centre). The Energy Centre was constructed to provide electricity, heating and cooling to the expanded Caesars Windsor facilities. The initial loan balance of $226,482,970 plus interest is repayable over five years. The loan bears interest at a rate of 3.2 per cent per annum and is unsecured.

c. Ajax Downs loan

In June 2009, the Corporation entered into a loan agreement with the Ontario Financing Authority (Province of Ontario, a related party) for purposes of financing the renovation and expansion of Ajax Downs. The initial loan balance of $18,524,000 plus interest is repayable over five years. The loan bears interest at a rate of 2.4 per cent per annum and is unsecured.

d. Obligation under capital lease

Effective March 2010, the Corporation entered into an amending agreement for an additional 15-year lease term with Maple Leaf Entertainment Inc., Canadian Niagara Hotels Inc., 1032514 Ontario Limited and Greenburg International Inc. (collectively, the "Owners") to lease the facility which houses Casino Niagara and to license the adjacent parking facilities. The agreement extends the term of the original lease and license agreements by an additional term of 15 years from March 10, 2010 to expire on March 9, 2025. This agreement is considered to be a capital lease for accounting purposes and has a calculated implicit interest rate of 8.2 per cent.

Repayments expected to be made over the next five years and thereafter are approximately:

Obligation under capital lease

	Long-term debt	Principal	Interest	Total
2011	$ 47,825	$ 1,488	$ 4,012	**$ 53,325**
2012	49,360	1,626	3,874	**54,860**
2013	50,945	1,771	3,729	**56,445**
2014	36,145	1,928	3,572	**41,645**
2015	3,565	2,112	3,400	**9,077**
Thereafter	–	38,625	19,047	**57,672**

The imputed interest portion of payments made in fiscal 2010 was $226,000.

On March 25, 2008, the Province of Ontario introduced a bill which, if passed, would amend the *Ontario Lottery and Gaming Corporation Act, 1999*, to require the Corporation to finance certain of its capital expenditures with debt obtained from the Ontario Financing Authority. The approval of the Minister of Energy and Infrastructure and the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures. Although the bill has not yet passed, the Corporation has operated under the spirit of the proposed legislation since April 1, 2008.

9. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a. Overview

The Corporation has exposure to credit risk, liquidity risk, and market risk from its use of financial instruments. This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing these risks.

b. Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations with the Corporation. The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of accounts receivable, loans receivable and liquid investments.

Accounts receivable include credit provided to retailers of lottery products, bingo service providers and patrons of resort casinos. Loans receivable consist of loans to racetrack site holders. The Corporation performs ongoing credit evaluations of retailers, bingo service providers, patrons and racetrack site holders and maintains reserves for potential credit losses on accounts receivable balances. The carrying amount of these financial assets represents the maximum credit exposure.

The amounts disclosed in the consolidated balance sheet are net of allowances for doubtful accounts, which consist of a specific provision that relates to individually significant exposures, estimated by management based on prior experience and their assessment of the current economic environment.

The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses but historically has not experienced any significant losses. As at March 31, 2010 the Corporation had an allowance for doubtful accounts of $6,785,000 (2009 - $11,144,000), which represented approximately 5.8 per cent (2009 - 10.3 per cent) of the Corporation's consolidated accounts receivable and loans receivable. The Corporation believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Corporation limits its exposure to credit risk by investing only in short-term debt securities with high credit ratings and minimal market risk. The Corporation has a formal policy in place for short-term investments which provides direction for management to minimize risk. All investments held by the Corporation are low risk and have a term to maturity of less than 90 days, and as a result the risk is considered minimal.

c. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without jeopardizing the Corporation's revenue commitment to the Province of Ontario. The Corporation currently settles its financial obligations using cash provided by operations. As discussed in Note 3, the Corporation has established reserves at the resort casinos in accordance with their respective operating agreements, or other terms as otherwise agreed. In addition, all investments held by the Corporation are low risk and have a term to maturity of less than 90 days further reducing liquidity risk.

The Corporation manages its liquidity risk by performing regular reviews of gross profit and cash flows from operations and continuously monitoring the forecast against future liquidity needs. Given the Corporation's unique line of business, which historically has generated positive cash flows, liquidity risk is of minimal concern.

The contractual maturities of the financial liabilities are as follows:

	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
Accounts payable and accrued liabilities	$ 321,817	$ 321,817	$ 321,817	$ -	$ -	$ -
Due to operators	37,544	37,544	37,544	-	-	-
Due to Chippewas of Mnjikaning	1,577	1,577	1,577	-	-	-
Due to Government of Canada	7,421	7,421	7,421	-	-	-
Due to First Nations	191,696	191,696	-	-	191,696	-
Long-term debt, including obligation under capital lease	235,390	235,390	49,313	50,986	96,466	38,625

d. Market risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk, foreign currency risk and other market price risk.

i. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation has financial assets and liabilities that potentially expose it to interest rate risk.

The Corporation is subject to interest rate risk on its cash and cash equivalents, including short-term investments with maturity dates of less than 90 days, loans receivable, and long-term debt.

Loans receivable consist of loans to racetrack site holders and interest earned on these loans is tied to changes in the prime interest rate. The interest

rate risk is limited to the interest earned on the assets and the underlying value of the asset is not at risk due to fluctuations in interest rates.

Long term debt currently consists of three loan agreements entered into with the Ontario Financing Authority and an obligation under capital lease. The obligation under capital lease, as noted in Note 8 (d), and the term loan agreements have a fixed interest rate for the entire term and are currently subject to limited interest rate risk.

The amount of cash and cash equivalents was $324,640,000 and the loans receivable was $31,979,000 as at March 31, 2010. The impact of fluctuations in interest rates on interest income from cash and cash equivalents and loans receivable is not significant and accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

ii. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to foreign currency risk by settling certain obligations in foreign currencies (primarily US dollars - 'USD') and by holding bank accounts and investments in USD.

The majority of the Corporation's suppliers and patrons are based in Canada and, therefore transact in Canadian dollars (CAD). Some suppliers and patrons are based outside of Canada. The suppliers located outside of Canada typically transact in USD. The Corporation's border properties attract US players who are required to exchange their USD to Canadian currency prior to play. The Corporation exchanges US currency using the daily market exchange rate, and utilizes both a "buy" and "sell" rate. The Corporation holds USD cash and bank accounts for the purposes of transacting in USD with patrons, as well as paying its US based suppliers. The balances held in USD are closely monitored to ensure future USD requirements are met. As a result, there is some exposure to foreign currency fluctuations and the Corporation's foreign exchange gain for the year ended March 31, 2010 was $9,986,000 (2009 - $17,762,000).

The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation's exposure to currency risk is as follows, based on carrying amounts:

	(USD)	(USD)
	2010	2009
Cash and cash equivalents	**$ 15,853**	$ 11,327
Accounts payable and accrued liabilities	**(5,555)**	(1,207)
Net exposure	**$ 10,298**	$ 10,120

All USD balances are shown in CAD equivalents.

Sensitivity analysis

A ten per cent increase in USD at March 31, 2010 would have increased net income by $1,030,000 CAD (2009 - $1,012,000). A ten percent decrease in the USD at March 31, 2010 would have had the equal, but opposite effect. This analysis assumes that all other variables, including interest rates, remain constant.

iii. Other market price risk

The Corporation offers sports based lottery products in the marketplace. The Corporation manages risks associated with these products by setting odds for each event within a short time frame before the actual event, by establishing sales liability thresholds by sport, by providing credit management controls, by posting conditions and prize structure statements on www.OLG.ca, and by limiting the aggregate amount of prizes that may be won on any given day for all sports based products. The Corporation also has the authority to suppress sales of any game at any time when liability risk is a concern.

iv. Fair values versus carrying amounts

The Corporation has determined the fair value of its financial instruments as follows:

The carrying amounts in the consolidated balance sheet of cash and cash equivalents, accounts receivable, restricted cash, cash and short-term investments held for First Nations, accounts payable and accrued liabilities due to operators, due to Chippewas of Mnjikaning, due to Government of Canada and due to First Nations approximate fair values because of the short-term nature of these financial instruments

or because they are receivable / payable on demand. The Corporation's financial instruments carried at fair value on the balance sheet, which consists of cash and cash equivalents, restricted cash, and cash and short-term investments held for First Nations are valued using quoted market prices, which is included in Level 1.

Loans receivable are carried at amortized cost using the effective interest method. The carrying value of loans receivable approximates the fair value as the rates utilized in the effective interest calculations reflect market prime rates. The loans receivable is included in Level 2 since the fair market value measurements are based on observable market data other than quoted prices.

The fair value of the Corporation's long-term debt, excluding the obligation under capital lease, is not determinable given its related party nature and there is no observable market for the Corporation's long-term debt. The obligation under capital lease is included in Level 2 since the fair market value measurements are based on observable market data other than quoted prices.

There were no financial statement categories in Level 3 (valuation techniques using non-observable market input) as at March 31, 2010.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

10. CAPITAL RISK MANAGEMENT

The capital structure of the Corporation consists of cash and cash equivalents, long-term debt and equity, comprised of retained earnings, contributed surplus and reserves.

The Corporation's objectives in managing capital are to ensure sufficient resources are available for it to continue to fund future development and growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of management including its policies related to financial and risk management issues. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The operating agreements require the resort casinos to establish reserve funds, as described in Note 3. The Corporation is not subject to any externally imposed capital requirements.

11. COMMITMENTS

a. Obligations under operating leases

The Corporation has entered into several operating leases for property and equipment. The future minimum lease payments are approximately:

2011	$ 16,861
2012	6,815
2013	1,519
2014	1,226
2015	265
	$ 26,686
Thereafter	6,419
	$ 33,105

b. Suppliers

The Corporation has computer hardware maintenance agreements with future payments of approximately:

2011	$ 15,169
2012	12,290
2013	11,359
2014	2,721
2015	110
	$ 41,649

c. Caesars Windsor

In connection with the terms of an agreement between Caesars Windsor and the City of Windsor, the Corporation agreed to provide the City of Windsor with compensatory payments over 20 years with payments commencing May 1, 1998 in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

d. Niagara Fallsview Casino Resort

In connection with the terms of an agreement between Fallsview and the City of Niagara Falls (the City), the Corporation agreed to provide the City with compensation payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and then $3,000,000 per annum thereafter, for as long as Fallsview does not cease operations, adjusted for Consumer Price Index as defined in the agreement.

e. Casino Rama

In connection with the terms of the Post-2011 Contract between the Corporation and the Chippewas of Mnjikaning, as outlined in Note 7 (d) to the consolidated financial statements, the Corporation agreed to pay the Chippewas of Mnjikaning an annual fee, commencing August 1, 2011, in an amount equal to the greater of 1.9 per cent of the Gross Revenues of the Complex, as defined, and $5,500,000 in consideration of the Chippewas of Mnjikaning authorizing the extension of the operation of the Complex on the reserve, carrying out its responsibilities as provided in the terms of the Post-2011 Contract, and providing certain intellectual property rights for use relating to the Complex, during the term of the Post-2011 Contract continuing until July 31, 2031.

f. Casinos and Slots at Racetracks

The Corporation is committed to the establishment of an additional Slots at Racetrack operation in eastern Ontario at an estimated cost of $18,954,000.

In connection with the terms of an amending agreement and an assignment, consent and acknowledgement agreement between the Corporation and a Slots at Racetrack site holder, the Corporation agreed to provide the site holder with payments commencing December 31, 2009 in the amount of $5,600,000 per annum for three years in lieu of a predetermined percentage of revenue from slots.

g. Mississaugas of Scugog Island First Nation (MSIFN)

In fiscal 2010, the Corporation and the MSIFN entered into an agreement to construct a new casino facility, on MSIFN reserve lands, at an estimated total cost of $165,000,000. The new casino facility will replace the existing tent structure. On February 18, 2009, the Corporation's Board of Directors approved the expenditure of $83,800,000 as the Corporation's share of the project costs. The approval was conditional on MSIFN obtaining a commitment for financing for their portion of the project costs of $81,200,000. The Corporation is currently awaiting approval of its funding through the Ontario Financing Authority and MSIFN is completing discussions with various financial institutions for its funding. Assuming financing approvals are obtained on a timely basis, construction is anticipated to commence in the fall of 2010 with completion and opening in the spring of 2013.

In January, 2010 the Corporation, MSIFN and the casino operator entered into an operating agreement. Concurrent with the development and with the operating agreement, the Corporation, MSIFN and the casino operator will be entering into a development agreement, support agreement, and sublicense agreement that will govern the construction of the facility and the operation of the casino going forward.

12. CONTINGENCIES

a. In August 2004, the Chippewas of Mnjikaning First Nation (the Plaintiff) issued a statement of claim against the Corporation, Ontario Gaming Assets Corporation, Her Majesty the Queen in Right of Ontario and CHC Casinos Canada Limited, as defendant parties. The Plaintiff alleges to be the legal and beneficial owner of all capital assets purchased for use in the development and operation of Casino Rama and requires all amounts of retail sales tax that have been paid or accrued in respect of purchases of capital assets be reimbursed. The Plaintiff claims damages in the amount of $21,000,000 against the defendant parties, excluding CHC Casinos Canada Limited, and claims that title to all capital assets purchased for use in the development and operation of Casino Rama be transferred to the Plaintiff. Under the Post-2011 Contract, the Chippewas of Mnjikaning, Her Majesty the Queen in Right of Ontario and the Corporation agreed to resolve this action by consenting to its dismissal on a without costs basis. Both CHC Casino Canada Limited and Ontario Gaming Assets Corporation have also agreed to provide their consents. The Post-

2011 Contract also requires the Chippewas of Mnjikaning and the Province of Ontario to use best efforts to obtain OFNLP's consent to the dismissal of the action. Efforts are underway to obtain OFNLP's consent and it is reasonably anticipated that this will be forthcoming. As a consequence, it is anticipated that this action will be dismissed on consent, without costs. As a consequence of the foregoing, no amounts have been accrued in these consolidated financial statements.

b. The Corporation has signed five Bingo Centre Service Provider Agreements (Service Providers) for Bingo Revitalization Project pilot site operations in Barrie, Peterborough, Kingston, Sudbury and Windsor, Ontario. The contracts provide that, in the event of notification of termination of the Bingo Revitalization Project pilot by the Corporation, or if the Service Providers and the Corporation mutually agree to not renew or extend the Agreement, the Corporation will be required to pay the Service Providers an amount not to exceed $3,863,000 in respect of the Service Providers' capital investments in the Bingo Centres. No events have taken place to indicate that the pilot sites will not continue, and as such, no amounts have been accrued in these consolidated financial statements.

c. On April 27, 2007, the Corporation and the Interprovincial Lottery Corporation were served with a statement of claim related to a class action for general damages of $1,000,000,000 and punitive damages of $100,000,000. The statement of claim alleges the Corporation was negligent in the operation and management of its lottery business and that it breached fiduciary and other duties. The action is at a very early stage, no class has been certified by the Courts, and the Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

d. On June 10, 2008, the Corporation was served with a statement of claim related to a class action for general damages and punitive damages totaling $3,500,000,000. The statement of claim alleges that the Corporation was negligent in its duty of care to prohibit self-excluded patrons from gaming at the Corporation's gaming sites. In a decision released on March 15, 2010, the plaintiff's motion was dismissed and denied certification. Procedures related to this action are ongoing. On April 5, 2010, the Corporation filed a routine costs submission claim which remains outstanding as at March 31, 2010. On April 14, 2010, lawyers for the plaintiff filed on appeal of the decision. The Corporation will continue to defend itself through the appeals process. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

e. On May 20, 2009, the Corporation was served with a statement of claim related to a class action for general damages and punitive damages for an amount yet to be determined. The statement of claim alleges that the Corporation was in breach of contract by not discontinuing the sales of certain Instant lottery game tickets once the top prize was won. The action is at a very early stage, no class has been certified by the Courts, and the Corporation intends to vigorously defend itself. The outcome is undeterminable at this time and no amounts have been accrued in these consolidated financial statements.

f. On September 28, 2009, the Corporation was served with a statement of claim from Buttcon Construction Limited and Buttcon Energy Inc. (collectively 'Buttcon') related to the operation and ownership of the Windsor Energy Centre. The claim was for general damages and punitive or exemplary damages totalling $177,000,000 plus prejudgment interest and costs. Buttcon alleges, among other things, breach of contract, breach of duty of good faith, deceit, misrepresentation, unlawful interference with legitimate business expectancy, loss of opportunity and damage to business reputation. On November 10, 2009, the Corporation served and filed its Statement of Defence and Counterclaim in which the Corporation denies the allegations in the statement of claim and counterclaims for damages in the amount of $60,000,000 for breach of the operation and maintenance, improper management of the construction project, neglect, and failure to return the Corporation's property. The claim is at a very early stage and the Corporation intends to vigorously defend itself.

The outcome is undeterminable as at March 31, 2010 and no amounts have been accrued in these consolidated financial statements.

g. The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on its consolidated financial statements. Estimates, where appropriate, have been included in these consolidated financial statements; however, additional settlements, if any, concerning these contingencies will be accounted for as a charge to the consolidated statement of income and other comprehensive income in the period in which the settlement occurs.

13. SEGMENTED INFORMATION

The Corporation's reportable operating segments are distinct revenue generating business units that offer different products and services. The Corporation has three reportable operating segments: lotteries and bingo, resort casinos, and casinos and slots at racetracks. Lotteries and bingo derives its revenue from the sale of lottery and bingo products, which includes online, instant and sports products. Resort casinos are full-service casinos which offer patrons a variety of amenities, in addition to slot and table games, including accommodations, entertainment and food and beverage services. The Casinos and Slots at Racetracks are scaled-down gaming facilities. The Casinos offer slot and table games, as well as food and beverage services. The Slots at Racetracks are located at racetrack sites and include only slot games; however, some locations offer food and beverage.

2010	LOTTERIES AND BINGO	RESORT CASINOS	CASINOS AND SLOTS AT RACETRACKS	TOTAL
Revenues				
Lotteries and bingo	$ 2,890,258	$ –	$ –	**$ 2,890,258**
Slots	–	961,975	2,023,047	**2,985,022**
Tables	–	396,272	52,918	**449,190**
Non-gaming	–	259,892	31,125	**291,017**
	$ 2,890,258	$ 1,618,139	$ 2,107,090	**$ 6,615,487**
Less promotional allowances	–	264,925	71,543	**336,468**
	$ 2,890,258	$ 1,353,214	$ 2,035,547	**$ 6,279,019**
Operating expenses				
Non-gaming	$ –	$ 247,852	$ 34,464	**$ 282,316**
Gaming and lottery operations	112,424	274,056	283,691	**670,171**
Lottery prizes	1,589,463	–	–	**1,589,463**
Commissions	204,340	–	410,289	**614,629**
Marketing and promotion	62,808	153,144	87,498	**303,450**
Operators' fees (Note 7b)	–	62,722	4,546	**67,268**
Amortization	16,190	133,064	85,085	**234,339**
General and administration (Note 15)	47,764	100,642	70,186	**218,592**
Facilities	8,418	145,845	82,213	**236,476**
Win contribution (Note 16)	–	271,753	16,729	**288,482**
Payments to Government of Canada (Note 17)	51,934	39,015	25,520	**116,469**
	$ 2,093,341	$ 1,428,093	$ 1,100,221	**$ 4,621,655**
Income before the undernoted	$ 796,917	$ (74,879)	$ 935,326	**$ 1,657,364**
Interest and other income	$ 4,229	$ 28,265	$ 26,118	**$ 58,612**
Interest on long-term debt	–	(7,146)	(72)	**(7,218)**
Foreign exchange gain	2	7,929	2,055	**9,986**
	$ 4,231	$ 29,048	$ 28,101	**$ 61,380**
Net income (loss)	$ 801,148	$ (45,831)	$ 963,427	**$ 1,718,744**

2009 (Restated, note 1(s)(i))	LOTTERIES AND BINGO	RESORT CASINOS	CASINOS AND SLOTS AT RACETRACKS	TOTAL
Revenues				
Lotteries and bingo	$ 2,947,616	$ –	$ –	$ 2,947,616
Slots	–	1,033,527	2,059,273	3,092,800
Tables	–	403,526	50,415	453,941
Non-gaming	–	270,982	28,172	299,154
	$ 2,947,616	$ 1,708,035	$ 2,137,860	$ 6,793,511
Less promotional allowances	–	299,222	67,301	366,523
	$ 2,947,616	$ 1,408,813	$ 2,070,559	$ 6,426,988
Operating expenses				
Non-gaming	$ –	$ 254,548	$ 30,571	$ 285,119
Gaming and lottery operations	130,575	297,680	279,513	707,768
Lottery prizes	1,655,987	–	–	1,655,987
Commissions	215,975	–	418,936	634,911
Marketing and promotion	55,014	161,617	81,473	298,104
Operators' fees (Note 7b)	–	64,822	5,024	69,846
Amortization	31,693	143,501	84,051	259,245
General and administration (Note 15)	41,669	102,286	72,863	216,818
Facilities	8,108	154,590	80,861	243,559
Win contribution (Note 16)	–	287,449	18,188	305,637
Payments to Government of Canada (Note 17)	53,505	40,221	31,659	125,385
	$ 2,192,526	$ 1,506,714	$ 1,103,139	$ 4,802,379
Income before the undernoted	$ 755,090	$ (97,901)	$ 967,420	$ 1,624,609
Interest and other income	$ 3,085	$ 18,833	$ 15,877	$ 37,795
Interest on long-term debt	(100)	(9,216)	–	(9,316)
Foreign exchange gain	667	14,341	2,754	17,762
	$ 3,652	$ 23,958	$ 18,631	$ 46,241
Net income (loss)	$ 758,742	$ (73,943)	$ 986,051	$ 1,670,850

CAPITAL EXPENDITURES	LOTTERIES AND BINGO	RESORT CASINOS	CASINOS AND SLOTS AT RACETRACKS	TOTAL
2010	$ 21,713	$ 60,771	$ 104,844	$ 187,328
2009	$ 6,923	$ 160,041	$ 81,615	$ 248,579

14. POST EMPLOYMENT BENEFITS

The Corporation provides pension benefits for all its permanent employees and to non-permanent employees who elect to participate through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employee's Union Pension Fund (OPSEU Pension Fund), which are sole sponsored defined benefit pension plans established by the Province of Ontario. The cost of post-employment benefits is included in the pension contributions made by the Corporation to the PSPF and OPSEU Pension Fund and the Corporation records these post-employment benefits as defined contribution pension plans and has recorded no additional liability for these future costs. The Corporation's contribution and pension expense during the year was $20,172,000 (2009 - $18,332,000).

The operators of the resort casinos and the Great Blue Heron Slot Machine Facility have created defined contribution pension plans for their employees. The pension expense for the year amounted to $20,703,000 (2009 - $21,078,000).

15. FUTURE BENEFIT COSTS

As a Schedule 2 employer under the *Workplace Safety and Insurance Act*, 1997, (Act) the Corporation is individually responsible for the

full cost of accident claims filed by its workers. The Workplace Safety and Insurance Board (WSIB) maintains full authority over the claims entitlement process, administers, and processes claims payments on the Corporation's behalf. CICA Handbook Section 3461, Employee Future Benefits, requires that WSIB liabilities for self-insured employers be reported on the financial statements.

In fiscal 2010, the cost of claim payments was $3,874,000 (2009 - $3,375,000) and is included in General and Administration expenses in the consolidated statement of income and other comprehensive income. The accrued future benefit costs as at March 31, 2010 is $20,320,000 (2009 - $17,074,000) of which $1,626,000 (2009 - $1,365,000) is classified as a current liability. The accrued benefit costs are based on actuarial assumptions.

The operators of the Resort Casinos and the Great Blue Heron Slot Machine Facility are Schedule 1 employers under the Act and are not subject to the financial reporting requirements of self-insured employers.

16. WIN CONTRIBUTION

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue from the Resort Casinos and the Great Blue Heron Slot Machine Facility, in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999.*

17. PAYMENTS TO GOVERNMENT OF CANADA

The Corporation made the following payments to the Government of Canada during the fiscal year:

	2010	2009
Payments on behalf of the Province of Ontario (a)	**$ 25,452**	$ 25,482
Goods and Services Tax (b)	**91,017**	99,903
	$ 116,469	$ 125,385

As at March 31, 2010, the amount due to Government of Canada was $7,421,000 (2009 - $5,376,000).

a. Payments on behalf of the Province of Ontario

The provincial lottery corporations make payments to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

b. Goods and Services Tax

As a prescribed Goods and Services Tax (GST) Registrant, the Corporation makes GST remittances to the Federal Government pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a 10 per cent tax burden on most taxable gaming expenditures incurred by the Corporation. The net tax attributable to non-gaming activities is calculated similarly to any other GST registrant in Canada. The non-recoverable gaming activity GST payable to suppliers and the additional tax payable to the Federal Government is recognized as an expense in the financial statements as 'Payments to Government'.

Effective July 1, 2010, the Province of Ontario will combine its provincial sales tax (PST) with the Federal Government's GST by creating a single, harmonized sales tax (HST) with a 13 per cent rate (five per cent federal component plus eight per cent provincial component).

18. COMPARATIVE AMOUNTS

Certain prior year amounts have been reclassified to conform to current year consolidated financial statement presentation.

Management's Discussion and Analysis

Year ended March 31, 2010

This Management's Discussion and Analysis (MD&A) reviews the financial position and results of the operations of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) for the year ended March 31, 2010, and should be read in conjunction with the Corporation's annual audited consolidated financial statements. OLG's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars. This MD&A is dated June 23, 2010.

Consolidated gross revenue for the year ended March 31, 2010, was $6.3 billion, a decrease of $148 million, or 2.3 per cent over the previous year, primarily due to lower gaming revenue. Net income for the year was $1.7 billion, $48 million, or 2.9 per cent higher than the previous year, despite lower revenue. The increase in net income was due to lower operating costs, particularly lottery prizes, commissions and non-gaming costs, consisting primarily of personnel and cost of goods sold. OLG's payment to the Province of Ontario, which is derived from net income, is the largest contribution of non-tax revenue for the Province and is used by the Government to invest in health care and other priority programs, and to support Ontario's elite amateur athletes and thousands of charities through the Ontario Trillium Foundation.

OLG's operations are organized under four business divisions:

- Lotteries, which is responsible for online and INSTANT lottery games.
- Bingo, which is responsible for five electronic bingo sites and Big LINK Bingo.
- Casinos and Slots at Racetracks, which is responsible for the operation of 23 gaming sites, including five OLG casinos, the slots facility at Great Blue Heron Charity Casino, and 17 slots at racetrack operations.
- Resort Casinos, which oversees the operations of four casinos in Ontario.

Following is a detailed review of the performance of each business division.

1. BUSINESS SEGMENT REPORTS

The Corporation has three reportable operating segments, each a distinct revenue-generating business unit that offers different products and services. The segments are Lotteries and Bingo, Casinos and Slots at Racetracks, and Resort Casinos.

The Lotteries and Bingo operating segment is further divided into two separate divisions, the Lotteries division and the Bingo division, which are discussed separately below.

A. Lotteries

Lotteries (in $ thousands)	**FISCAL 2010**	FISCAL 2009	VARIANCE $ favourable (unfavourable)	VARIANCE % favourable (unfavourable)
Revenues				
Gaming revenues	**$ 2,840,052**	$ 2,898,086	$ (58,034)	(2%)
	$ 2,840,052	$ 2,898,086	$ (58,034)	(2%)
Operating expenses				
Lottery operations	**$ 102,730**	$ 120,848	$ 18,118	15%
Lottery prizes	**1,554,423**	1,622,199	67,776	4%
Commissions	**196,050**	207,369	11,319	5%
Marketing and promotion	**60,852**	53,288	(7,564)	(14%)
Amortization	**15,778**	31,420	15,642	50%
General and administration	**42,011**	30,927	(11,084)	(36%)
Facilities	**8,418**	8,108	(310)	(4%)
Payments to Government of Canada	**51,173**	52,770	1,597	3%
	$ 2,031,435	$ 2,126,929	$ 95,494	4%
Income before the undernoted	**$ 808,617**	$ 771,157	$ 37,460	5%
Interest and other income	**$ 3,829**	$ 3,085	$ 744	24%
Interest on long-term debt	**-**	(100)	100	(100%)
Foreign exchange gain	**2**	667	(665)	(100%)
	$ 3,831	$ 3,652	$ 179	5%
Net income	**$ 812,448**	$ 774,809	$ 37,639	5%

A1. Lotteries revenue

Lotteries revenue for the year was $2.84 billion, a decrease of $58 million, or 2.0 per cent, from the previous year.

Lotteries Sales and Prizes by Game

	NUMBER OF GAMES		**SALES** ($ millions)		**PERCENTAGE OF TOTAL SALES**		**PRIZES** ($ millions)	
Product Groupings	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Online Games	**11**	11	**$ 1,719.9**	$ 1,749.3	**60.5%**	60.4%	**$ 835.0**	$ 879.5
Sports Games	**6**	6	**266.4**	265.7	**9.4%**	9.2%	**174.6**	169.7
INSTANT Games	**92**	100	**853.8**	883.1	**30.1%**	30.4%	**544.8**	573.0
Totals	**109**	117	**$ 2,840.1**	$ 2,898.1	**100.0%**	100.0%	**$ 1,554.4**	$ 1,622.2

Online games contributed $29 million to the unfavourable sales variance. The launch of LOTTO MAX, a new national online game that replaced LOTTO SUPER 7 in September 2009, contributed to a $105 million increase in revenue; however, LOTTO 6/49 experienced a decline of $100 million due to less favourable jackpot sequences for fiscal 2010. The suspension of the MILLIONAIRE LIFE game from the fiscal 2010 line-up of games was responsible for the majority of the unfavourable online games variance. The Interprovincial Lottery Corporation (ILC), of which OLG is a member, chose instead to assess the game as well as other concepts for a future national special event game. The introduction of a $7 price point game to the INSTANT game portfolio contributed an additional revenue increase of $14 million; however, INSTANT games contributed $29 million to the overall year-over-year decline in sales. This can be attributed to the general economic conditions, the closure of Infoplace, a dedicated lottery retailer with 135 locations across Ontario, less advertising for INSTANT games, and the "No Play at Work" policy for lottery retailers that came into effect in November 2009.

A2. Lotteries net income

Net income from Lotteries was $812 million, $38 million or 4.9 per cent more than the previous year, primarily the result of lower prizing costs. Lotteries prize expenses decreased by $68 million, to $1.6 billion, as ILC determined there would be no guaranteed bonus draws for LOTTO 6/49 or LOTTO SUPER 7, due to the launch of LOTTO MAX. Last year, a total of $51 million was expended in guaranteed bonus funding. In addition, lottery prize expenses vary according to the mix of product revenue and jackpot levels achieved with essentially online products driving lower prizing costs.

A3. Lotteries financial key performance indicators

The Corporation continues to focus on maximizing operational efficiencies and profits. In achieving these ends, financial key performance indicators (KPIs) are useful tools for assessing critical expenses relative to revenue.

Below are the Lotteries financial KPIs for fiscal 2010 compared to fiscal 2009:

	Fiscal 2010	Fiscal 2009
Adjusted EBIDA margin*	**64.2%**	63.0%
Marketing as a percentage of gaming revenue**	**4.4%**	3.9%
Payroll as a percentage of total revenue***	**2.3%**	2.2%

** The Adjusted EBIDA margin (please refer to Section 3 – Disclosures for Non-GAAP Measures) represents earnings before interest expense, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP.*

*** Marketing expenses include promotions, advertising, corporate marketing and the applicable GST expense, but exclude payroll costs. These expenses are divided by gaming revenue. Gaming revenue includes revenue from lottery games, but excludes all non-gaming revenue.*

**** Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Please refer to Section 3 – Disclosures for Non-GAAP Measures. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP.*

Both marketing and payroll indicators represent key cost drivers of the Corporation.

The adjusted EBIDA margin for Lotteries for fiscal 2010 increased compared to last year, due to lower operating costs. Marketing expenditure as a percentage of gaming revenue for Lotteries was up slightly from last year, due to the required advertising support for the LOTTO MAX brand launch. Payroll as a percentage of total revenue for Lotteries was up slightly from last year.

B. Bingo

Bingo (in $ thousands)	**FISCAL 2010**	FISCAL 2009	VARIANCE $ favourable (unfavourable)	VARIANCE % favourable (unfavourable)
Revenues				
Gaming revenues	**$ 50,206**	$ 49,530	$ 676	1%
	$ 50,206	$ 49,530	$ 676	1%
Operating expenses				
Gaming operations	**$ 9,694**	$ 9,727	$ 33	0%
Bingo prizes	**35,040**	33,788	(1,252)	(4%)
Commissions	**8,290**	8,606	316	4%
Marketing and promotion	**1,956**	1,726	(230)	(13%)
Amortization	**412**	273	(139)	(51%)
General and administration	**5,753**	10,742	4,989	46%
Facilities	**–**	–	–	0%
Payments to Government of Canada	**761**	735	(26)	(4%)
	$ 61,906	$ 65,597	$ 3,691	6%
Income before the undernoted	**$ (11,700)**	$ (16,067)	$ 4,367	27%
Interest and other income	**$ 400**	$ –	$ 400	100%
Interest on long-term debt	**–**	–	–	0%
Foreign exchange gain	**–**	–	–	0%
	$ 400	$ –	$ 400	100%
Net loss	**$ (11,300)**	$ (16,067)	$ 4,767	30%

B1. Bingo revenue
Bingo revenue was $50 million, up $0.7 million or 1.4 per cent from the previous year, primarily due to the establishment of an additional electronic bingo gaming site in Windsor on November 30, 2009.

B2. Bingo net income
Net loss from Bingo was $11 million, $4.8 million or 29.7 per cent less than the previous year, primarily due to lower operating expenses. Operating expenses decreased $3.7 million from the previous year. Payments to charitable associations that rely on funding from bingo gaming are included as an operating expense. These payments totalled $6.2 million in fiscal 2010, down 4.6 per cent or $0.3 million from last year. General and administration costs decreased by $5.0 million due to lower shared services costs for the Bingo division. Bingo prizes increased $1.3 million due to the additional e-Bingo site in Windsor.

B3. Bingo financial performance indicators

Below are the Bingo financial KPIs for fiscal 2010 compared to fiscal 2009:

	Fiscal 2010	Fiscal 2009
Adjusted EBIDA margin*	**(68.3%)**	(99.2%)
Marketing as a percentage of gaming revenue**	**14.1%**	12.0%
Payroll as a percentage of total revenue***	**11.2%**	10.3%

** The Adjusted EBIDA margin (please refer to Section 3 – Disclosures for Non-GAAP Measures) represents earnings before interest expense, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP.*

*** Marketing expenses include promotions, advertising, corporate marketing and the applicable GST expense, but exclude payroll costs. These expenses are divided by gaming revenue. Gaming revenue includes revenue from bingo games, but excludes all non-gaming revenue.*

**** Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Please refer to Section 3 – Disclosures for Non-GAAP Measures. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP.*

Both marketing and payroll indicators represent key cost drivers of the Corporation.

The adjusted EBIDA margin for Bingo for fiscal 2010 increased compared to last year, due to lower operating costs. Marketing expenditure as a percentage of gaming revenue for Bingo was up slightly from last year, due to the necessary advertising support for the new site in Windsor. Payroll as a percentage of total revenue for Bingo was also up from last year due to the launch of the new site in Windsor.

C. OLG Casinos and Slots at Racetracks

OLG Casinos and Slots at Racetracks (in $ thousands)	FISCAL 2010	FISCAL 2009	VARIANCE $ favourable (unfavourable)	VARIANCE % favourable (unfavourable)
Revenues				
Gaming revenues	**$ 2,075,965**	$ 2,109,688	$ (33,723)	(2%)
Non-gaming revenues	**31,125**	28,172	2,953	10%
	$ 2,107,090	$ 2,137,860	$ (30,770)	(1%)
Less: promotional allowance	**71,543**	67,301	(4,242)	(6%)
	$ 2,035,547	$ 2,070,559	$ (35,012)	(2%)
Operating expenses				
Non-gaming	**$ 34,464**	$ 30,571	$ (3,893)	(13%)
Gaming and lottery operations	**283,691**	279,513	(4,178)	(1%)
Commissions	**410,289**	418,936	8,647	2%
Marketing and promotion	**87,498**	81,473	(6,025)	(7%)
Operators' fees	**4,546**	5,024	478	10%
Amortization	**85,085**	84,051	(1,034)	(1%)
General and administration	**70,186**	72,863	2,677	4%
Facilities	**82,213**	80,861	(1,352)	(2%)
Win contribution	**16,729**	18,188	1,459	8%
Payments to Government of Canada	**25,520**	31,659	6,139	19%
	$ 1,100,221	$ 1,103,139	$ 2,918	0%
Income before the undernoted	**$ 935,326**	$ 967,420	$ (32,094)	(3%)
Interest and other income	**$ 26,118**	$ 15,877	$ 10,241	65%
Interest on long-term debt	**(72)**	–	(72)	(100%)
Foreign exchange gain	**2,055**	2,754	(699)	(25%)
	$ 28,101	$ 18,631	$ 9,470	51%
Net income	**$ 963,427**	$ 986,051	$ (22,624)	(2%)

C1. OLG Casinos and Slots at Racetracks revenues

Revenue (net of promotional allowance) for OLG Casinos and Slots at Racetracks, including the slot operations at the Great Blue Heron Charity Casino, was $2.0 billion, a decrease of $35 million from the previous year. OLG Slots at Woodbine Racetrack was the largest contributor to this decline, with gaming revenue of $598 million, a decrease of $23 million from last year. Gaming revenue was also down at most border properties, including OLG Slots at Fort Erie Race Track, Hiawatha Horse Park and OLG Casinos Point Edward, Sault Ste. Marie and Thousand Islands. These declines can be attributed to competition from U.S. properties, new passport requirements, the downturn in the economy, and a strong Canadian dollar. Gaming revenue was down at Great Blue Heron Slot Machine Facility and OLG Slots at Mohawk Racetrack, also a result of the economic situation.

In fiscal 2010, communities hosting OLG Casinos and Slots received commissions totalling $76 million, a decrease of $3 million from the prior year because of lower gaming revenues. These commissions are calculated on gross slot machine revenue, and represent funds that can be used at the municipalities' discretion. Racetrack site holders and their horse people received $334 million, a decrease of $6 million from the previous year because of lower gaming revenue. Payments to racetracks and horse people are a major economic stimulus for the agriculture industry in Ontario, with spin-off benefits for workers who stable and provide care for horses and farmers who supply feed.

The following tables highlight some of the key economic impacts of OLG Casinos and Slots. In particular, the tables indicate the number of employees working for OLG in communities across the Province and their annual payroll. These payroll dollars circulate back into the local economies along with the commissions paid to the local municipalities, racetracks and horse people.

OLG Casinos — Economic Impact of Operations as of and for the year ended March 31, 2010

FACILITY	OPENING DATE	NUMBER OF EMPLOYEES	ANNUAL PAYROLL ($ thousands)	REVENUE TO MUNICIPALITIES* ($ thousands)	NUMBER OF PATRONS** (thousands)	NUMBER OF SLOTS	NUMBER OF GAMING TABLES
OLG Casino Brantford	Nov 17, 1999	897	$ 39,589	$ 3,374	1,400	507	49
Great Blue Heron Charity Casino Slots Facility	May 3, 2000	***	***	****	1,433	541	*****
OLG Casino Point Edward	Apr 18, 2000	473	21,778	1,649	482	481	30
OLG Casino Sault Ste. Marie	May 19, 1999	319	15,546	1,463	684	441	13
OLG Casino Thousand Islands	Jun 20, 2002	433	19,117	3,326	879	503	23
OLG Casino Thunder Bay	Aug 28, 2000	356	16,877	2,366	977	452	14
Totals		**2,478**	**$ 112,907**	**$ 12,178**	**5,855**	**2,925**	**129**

Note: The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by Great Blue Heron Gaming Company, which is wholly owned by Casino Austria, Fantasy Gaming and Sonco Gaming. The OLG is responsible for the management of the slot facility only. The Great Blue Heron Charity Casino is a true Aboriginal casino and a major First Nations initiative. The Mississaugas of Scugog Island First Nation Indian Band (#34) formed the Baagwating Community Association, a non-profit charitable association, to conduct and manage the table game operations.
The Ontario Government receives 20 per cent of gaming revenue and 100 per cent of net profits from the slots facility at Great Blue Heron Charity Casino.

** 5% of revenue from slot machines up to 450 machines and 2% of revenue from slots over 450.*
*** Great Blue Heron patron figures are based on entire facility.*
**** 239 employees of The Great Blue Heron Gaming Company work in the slot facility. Annual payroll is $12.6 million.*
***** As the host community of the slot machines at Great Blue Heron Charity Casino, the Mississaugas receive 5% of the revenues of the slot machine facilities, totalling $4.2 million in fiscal 2010.*
****** While Great Blue Heron Charity Casino offers table games, OLG management and reporting is limited to the slot facility.*

OLG Slots at Racetracks — Economic Impact of Operations as of and for the year ended March 31, 2010

FACILITY	OPENING DATE	NUMBER OF EMPLOYEES	ANNUAL PAYROLL ($ thousands)	NUMBER OF PATRONS (thousands)	NUMBER OF SLOTS	REVENUE TO ($ thousands) TRACKS*	HORSE PEOPLE*	MUNICIPALITY*
Ajax Downs	Feb 28, 2006	321	$ 12,092	1,232	800	$ 11,205	$ 7,303	$ 5,304
Clinton Raceway	Aug 24, 2000	89	4,036	169	123	1,211	1,211	605
Dresden Raceway	Apr 18, 2001	87	4,174	174	116	1,322	1,322	661
Flamboro Downs	Oct 11, 2000	222	11,179	1,256	804	12,100	12,100	4,456
Fort Erie Race Track	Sep 9, 1999	245	12,922	898	923	4,548	3,754	1,222
Georgian Downs	Nov 27, 2001	304	12,402	1,246	802	11,259	11,259	4,705
Grand River Raceway	Dec 4, 2003	162	6,742	554	240	4,305	4,305	2,152
Hanover Raceway	Feb 19, 2001	91	4,543	301	131	2,180	2,180	1,090
Hiawatha Horse Park	May 8, 1999	146	7,472	577	452	3,124	3,124	1,560
Kawartha Downs	Nov 22, 1999	175	8,438	798	450	6,825	6,825	3,413
Mohawk Racetrack	Aug 10, 1999	230	11,729	1,142	863	15,392	15,392	5,487
Rideau Carleton Raceway	Feb 16, 2000	274	13,532	1,737	1,250	14,427	14,427	4,444
Sudbury Downs	Nov 26, 1999	155	7,580	534	351	4,871	4,871	2,435
Western Fair Raceway	Sep 28, 1999	314	13,770	1,304	750	10,121	10,121	3,846
Windsor Raceway	Dec 16, 1998	215	10,621	670	750	4,232	4,232	1,608
Woodbine Racetrack	Mar 27, 2000	702	31,104	4,656	2,085	59,779	59,779	15,907
Woodstock Raceway	Jun 20, 2001	88	4,515	308	183	2,369	2,369	1,185
Totals		**3,820**	**$ 176,851**	**17,556**	**11,073**	**$ 169,270**	**$ 164,574**	**$ 60,080**

** Racetrack site holders and the horse racing industry are each entitled to receive a predetermined percentage of revenue from slots, or other amounts as agreed to, as outlined in the siteholder agreement with the corresponding racetrack operator; municipalities receive 5% of revenue from slots up to 450 machines and 2% of revenue from slot machines over 450.*

C2. OLG Casinos and Slots at Racetracks net income

Net income from OLG Casinos and Slots at Racetracks was $1.0 billion, a decrease of $23 million, or 2.0 per cent below last year, mainly due to the year-over-year decline in revenue attributed to the downturn in the economy and (at border facilities) competition from U.S. properties, new passport requirements and a strong Canadian dollar, slightly offset by lower operating costs.

C3. OLG Casinos and Slots at Racetracks financial key performance indicators

Below are the OLG Casinos and Slots at Racetracks financial KPIs for fiscal 2010 compared to fiscal 2009:

	Fiscal 2010	Fiscal 2009
Adjusted EBIDA margin*	**50.1%**	50.7%
Marketing as a percentage of gaming revenue**	**6.3%**	5.9%
Payroll as a percentage of total revenue***	**15.3%**	14.7%

** The Adjusted EBIDA margin (please refer to Section 3 - Disclosures for Non-GAAP Measures) represents earnings before interest expense, win contribution, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA, by adding back win contribution, to ensure comparability of profitability margins across divisions and with other gaming organizations. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP.*

*** Marketing expenses include promotional allowances (including the retail value of accommodation, food and beverage and other goods provided on a complimentary basis to patrons), promotions, advertising, corporate marketing and the applicable GST expense, but exclude payroll costs. These expenses are divided by gaming revenue. Gaming revenue includes revenue from slot and table gaming operations, but excludes all non-gaming revenue.*

**** Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Please refer to Section 3 - Disclosures for Non-GAAP Measures. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP.*

The Adjusted EBIDA margin for Casinos and Slots at Racetracks was below last year as the decrease in revenue was greater than the decrease in operating expenses. Marketing expenses as a percentage of gaming revenue and payroll as a percentage of total revenue for Casinos and Slots at Racetracks were higher than the previous year as a result of higher marketing spend and lower revenues.

D. Resort Casinos

Resort Casinos (in $ thousands)	FISCAL 2010	FISCAL 2009	VARIANCE $ favourable (unfavourable)	VARIANCE % favourable (unfavourable)
Revenues				
Gaming revenues	$ **1,358,247**	$ 1,437,053	$ (78,806)	(5%)
Non-gaming revenues	**259,892**	270,982	(11,090)	(4%)
	$ **1,618,139**	$ 1,708,035	$ (89,896)	(5%)
Less: promotional allowance	**264,925**	299,222	34,297	11%
	$ **1,353,214**	$ 1,408,813	$ (55,599)	(4%)
Operating expenses				
Non-gaming	$ **247,852**	$ 254,548	$ 6,696	3%
Gaming and lottery operations	**274,056**	297,680	23,624	8%
Marketing and promotion	**153,144**	161,617	8,473	5%
Operators' fees	**62,722**	64,822	2,100	3%
Amortization	**133,064**	143,501	10,437	7%
General and administration	**100,642**	102,286	1,644	2%
Facilities	**145,845**	154,590	8,745	6%
Win contribution	**271,753**	287,449	15,696	5%
Payments to Government of Canada	**39,015**	40,221	1,206	3%
	$ **1,428,093**	$ 1,506,714	$ 78,621	5%
Loss before the undernoted	$ **(74,879)**	$ (97,901)	$ 23,022	24%
Interest and other income	$ **28,265**	$ 18,833	$ 9,432	50%
Interest on long-term debt	**(7,146)**	(9,216)	2,070	22%
Foreign exchange gain	**7,929**	14,341	(6,412)	(45%)
	$ **29,048**	$ 23,958	$ 5,090	21%
Net loss	$ **(45,831)**	$ (73,943)	$ 28,112	38%

D1. Resort Casinos revenue

Total Resort Casino revenue (net of promotional allowance) was $1.4 billion, a decrease of $56 million, or 4.0 per cent from the previous year. All Resort Casinos experienced a year-over-year revenue decline.

The revenue decline at Casino Rama was attributed to the economic downturn coupled with competition from the expansion at the OLG Slots at Ajax Downs site, which was completed in the last quarter of the fiscal year. The new U.S. passport requirement effective June 1, 2009, the declining economy and the strong Canadian dollar had an impact on Caesars Windsor's revenue, as this property has a large U.S. patron base. The Canadian dollar was weak but relatively stable throughout the latter part of fiscal 2009. However, during fiscal 2010 the Canadian dollar strengthened, ending the year at 0.9844 on March 31, 2010. In general terms, a one cent strengthening of the Canadian dollar causes an estimated $1.6 million decline in annual revenue at the Resort Casino border properties (based on the Corporation's internal analysis). Although Casino Niagara and Fallsview Casino (which comprise the Niagara Casinos) also retain a U.S patron base, their share of U.S. patrons is proportionately smaller and therefore the impacts of these factors were not as apparent.

D2. Resort Casinos net loss

In fiscal 2010, Resort Casinos experienced a net loss of $46 million, representing an improvement of $28 million, or 38.0 per cent over last year. Caesars Windsor was the largest contributor to this variance, with a net loss that was $16 million lower than the previous year. Despite this loss, Resort Casinos contributed $176 million to the Province. This amount includes the win contribution generated at the Resort Casinos less the distribution of Casino Rama net income to the First Nations.

Under the terms of the operating agreements for all Resort Casinos, each operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin — both as defined in each of the related operating agreements. The operator fee has decreased by $2 million from the prior year, largely due to decreased revenues, as previously discussed.

D3. Resort Casinos financial key performance indicators

Below are the Resort Casino financial key performance indicators (KPIs) for fiscal 2010 compared to fiscal 2009:

	Fiscal 2010	Fiscal 2009
Adjusted EBIDA margin*	**22.2%**	21.3%
Marketing as a percentage of gaming revenue**	**30.2%**	31.3%
Payroll as a percentage of total revenue***	**30.5%**	30.1%

** The Adjusted EBIDA margin (please refer to Section 3 – Disclosures for Non-GAAP Measures) represents earnings before interest expense, win contribution, depreciation and amortization as a percentage of total revenue. EBIDA margin is a common measure used in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA by adding back win contribution to ensure comparability of profitability margins across divisions and with other gaming organizations. EBIDA margin is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with GAAP.*

*** Marketing expenses include promotional allowances (including the retail value of accommodation, food and beverage and other goods provided on a complimentary basis to patrons), promotions, advertising, corporate marketing and the applicable GST expense, but exclude payroll costs. These expenses are divided by gaming revenue. Gaming revenue includes revenue from slot and table gaming operations but excludes all non-gaming revenue.*

**** Payroll as a percentage of total revenue is derived by dividing payroll and benefit expenses by total revenue. Please refer to Section 3 – Disclosures for Non-GAAP Measures. Total revenue is not a defined term under GAAP. Accordingly, this measure should not be considered a substitute or alternative for revenue as determined in accordance with GAAP.*

The Adjusted EBIDA margin for the Resort Casinos Division was higher than last year's due to lower operating expenses.

Marketing as a percentage of gaming revenue was lower than last year as Casino Rama reduced its marketing spend through a combination of lower advertising costs and a reduction in the spend for certain marketing programs. Although payroll costs were managed to business volumes, as Caesars Windsor and the Niagara Casinos laid off staff and Casino Rama offered an employee voluntary exit program, this indicator increased year over year, due to lower revenues.

2. LIQUIDITY AND CAPITAL RESOURCES

Cash derived from (used in):	**2010**	2009
	($ millions)	($ millions)
Operating activities	**$ 1,908**	$ 1,910
Financing activities	**(1,722)**	(1,700)
Investing activities	**(185)**	(247)
Increase (decrease) in cash and cash equivalents	**$ 1**	$ (37)

Cash generated from operations for the fiscal year ended March 31, 2010, was $1.9 billion, $2 million lower than the previous year, primarily due to changes in working capital.

The amount expended on financing was $1.7 billion, which is consistent with what was expended the previous year. Included in financing activities are direct payments to the Province of Ontario, which totalled $1.6 billion, $10 million lower than last year. These payments represent OLG's net cash flow adjusted for working capital requirements and capital expenditures. Also included are repayment of loans to the Ontario Financing Authority (OFA) secured to acquire Fallsview Casino, to fund the Caesars Windsor expansion and Energy Centre projects and to fund the renovations at OLG Slots at Ajax Downs, as well as payments to the Province of Ontario. The Fallsview Casino loan of $794 million was provided in fiscal 2005 and was fully paid in June 2009. The Caesars Windsor expansion and Energy Centre loan funds were advanced over the course of the construction, with an initial loan balance of $226 million and is repayable over five years, at an interest rate of 3.2 per cent per annum, with a balance of $170 million as at March 31, 2010. Funds for the Slots at Ajax Downs expansion project were advanced over the course of the project, and in June 2009 the loan agreement was finalized, with an initial loan balance of $18 million and is repayable over five years, at an interest rate of 2.4 per cent per annum, with a balance of $18 million as at March 31, 2010.

The amount expended on investments, which include capital acquisitions, was $185 million, or $62 million lower than the previous year. Capital expenditures account for $187 million of this category. The most significant investments this year included the expansions at OLG Slots at Ajax Downs and OLG Slots at Georgian Downs, the renovations at OLG Casino Brantford and upgrades to slot machines.

3. DISCLOSURES FOR NON-GAAP MEASURES

Reconciliation of net revenue

The Adjusted EBIDA represents earnings before interest expense, win contribution, depreciation and amortization. Adjusted EBIDA is used to determine the EBIDA margin, which is a common measure in the gaming industry and is useful to management in assessing the performance of the Corporation's ongoing operations and its ability to generate cash flows. OLG adjusts EBIDA by adding back win contribution to ensure comparability of profitability margins across divisions and with other gaming organizations. Adjusted EBIDA is not a defined term under Canadian GAAP. Accordingly, this non-GAAP measure should not be considered a substitute or alternative for earnings or cash flows in each case as determined in accordance with Canadian GAAP.

The items listed represent the income and expense amounts required to reconcile Adjusted EBIDA with net income as defined under Canadian GAAP.

2010	LOTTERIES	BINGO	RESORT CASINOS	OLG CASINOS AND SLOTS AT RACETRACKS	TOTAL
			($ thousands)		
Net income as referenced in Note 13	$ 812,448	$ (11,300)	$ (45,831)	$ 963,427	**$ 1,718,744**
Amortization	15,777	413	133,064	85,085	**234,339**
Interest expense	–	–	7,146	72	**7,218**
Win contribution	–	–	271,753	16,729	**288,482**
Reallocation of support services and inter-company activity	(1,016)	250	444	2,902	**2,580**
Adjusted EBIDA	$ 827,209	$ (10,637)	$ 366,576	$ 1,068,215	**$ 2,251,363**

2009	LOTTERIES	BINGO	RESORT CASINOS	OLG CASINOS AND SLOTS AT RACETRACKS	TOTAL
			($ thousands)		
Net income as referenced in Note 13	$ 774,809	$ (16,067)	$ (73,943)	$ 986,051	**$ 1,670,850**
Amortization	31,420	273	143,501	84,051	**259,245**
Interest expense	100	–	9,216	–	**9,316**
Win contribution	–	–	287,449	18,188	**305,637**
Reallocation of support services and inter-company activity	(1,820)	178	4,395	3,449	**6,202**
Adjusted EBIDA	$ 804,509	$ (15,616)	$ 370,618	$ 1,091,739	**$ 2,251,250**

The allocation of support services and inter-company activity is removed when determining Adjusted EBIDA as these items are deemed to be outside of the scope of control of divisional management and are, therefore, excluded from internal profitability measures.

Reconciliation of total revenue

Total revenue is used as the denominator in the calculation of the Adjusted EBIDA margin and payroll as a percentage of Total Revenue.

This table reconciles Revenue as referenced in Note 13 of Notes to Consolidated Financial Statements and defined under Canadian GAAP to Total Revenue, which is not a defined term under Canadian GAAP. Accordingly, this non-GAAP measure should not be considered as a substitute or alternative for revenue, as determined in accordance with Canadian GAAP.

2010	LOTTERIES	BINGO	RESORT CASINOS	OLG CASINOS AND SLOTS AT RACETRACKS	TOTAL
			($ thousands)		
Revenue, gross of promotional allowances, as referenced in Note 13	$ 2,840,052	$ 50,206	$ 1,618,139	$ 2,107,090	$ 6,615,487
Lottery prizes	(1,554,423)	(35,040)	–	–	(1,589,463)
Interest and other income	3,828	401	28,265	26,118	58,612
Foreign exchange loss (gain)	2	–	7,929	2,055	9,986
Reallocation of support services	(72)	–	(214)	(1,706)	(1,992)
Total revenue	**$ 1,289,387**	**$ 15,567**	**$ 1,654,119**	**$ 2,133,557**	**$ 5,092,630**

2009	LOTTERIES	BINGO	RESORT CASINOS	OLG CASINOS AND SLOTS AT RACETRACKS	TOTAL
			($ thousands)		
Revenue, gross of promotional allowances, as referenced in Note 13	$ 2,898,086	$ 49,530	$ 1,708,035	$ 2,137,860	$ 6,793,511
Lottery prizes	(1,622,198)	(33,789)	–	–	(1,655,987)
Interest and other income	3,085	–	18,833	15,877	37,795
Foreign exchange loss (gain)	667	–	14,341	2,754	17,762
Reallocation of support services	(1,801)	1	(131)	(4,426)	(6,357)
Total revenue	**$ 1,277,839**	**$ 15,742**	**$ 1,741,078**	**$ 2,152,065**	**$ 5,186,724**

Fees paid to External Auditor

For the fiscal year ended March 31, 2010, the Corporation retained its independent auditor, KPMG LLP, to provide services in the categories and amounts shown below.

($ thousands)	Fiscal 2010 Total	Fiscal 2009 Total
Audit services	**$ 1,281**	$ 1,020
Audit-related services	**477**	178
Tax services	**146**	100
Other services	**484**	735
Total of all services	**$ 2,388**	$ 2,033

Note: Prepared on an accrual basis.

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